

A photograph of a group of people in a meeting, with a green overlay. The people are engaged in conversation and looking at documents. The text is overlaid on the right side of the image.

FY 2021 PROPOSED

BUDGET

AND FINANCIAL PLAN

PRESENTATION TO THE COUNCIL OF THE DISTRICT OF COLUMBIA

#DCHoPE

WE ARE GOVERNMENT OF THE
WASHINGTON DISTRICT OF COLUMBIA
DC MURIEL BOWSER, MAYOR

We Are All In This Together

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- The financial impact of COVID-19 requires us to **make sacrifices**, while maintaining the critical services our residents expect and protecting our most vulnerable neighbors.
- We have already taken steps to **reduce spending** in the current (2020) fiscal year by implementing a hiring and spending freeze across government.
- In our FY 2021 budget proposal, we are finding ways to **save resources** so that we don't lose ground on our shared progress in the District and maintain our DC Values.

Everybody will need to give something

Our Priorities for Making Budget Decisions

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Maintain core government functions that focus on the health, well-being and safety of DC residents and businesses



Maximize resources available for the immediate public health response to COVID-19



Maximize resources available for those in our community hardest hit by the COVID-19 public health emergency



Maintain stability for District Government workforce



Don't lose ground on key District priorities

District's Financial Strength Before COVID-19

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Financial Successes

- 24 consecutive years of balanced budgets
- AAA Bond Rating
- Fully funded pensions & retiree healthcare
- Ended FY 2019 with 60 days of cash reserves

Foundations of Economic Growth

Before COVID-19:

- Fast recovery from the longest federal government shutdown in history
- Continued population growth
- A strong real estate market
- Increasing wages
- Continued diversification of DC's job market and job growth

We are still the envy of many cities and states because of our strong financial foundation and prudent fiscal management. We will continue to balance our budget as every household must do.

Our Challenge:

To maintain our most important programs and services even though we have more residents, more businesses, more students, more seniors and fewer resources.

- We must continue to **protect the health** of our residents
- We must **pay for new students** entering our schools
- We must cover the **rising costs of healthcare** for our most vulnerable
- We must **ensure the safety of our communities**
- We must maintain our **commitment to affordable housing**; and
- We must **support our residents and businesses that have been impacted by COVID-19**

Our Unique Budget

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While the District is similar to other localities and states in that its budget must be balanced—expenditures cannot exceed revenues—the District’s budget is unique in that it must be balanced over four years.

This means revenue declines today have a multi-year impact on the budget.

Our Reserve Funds

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The District has four reserve funds designed to provide flexibility during difficult financial times. **Three are already in use.**

IN USE:



Cash Flow Reserve - \$775M

Provides daily operating cash to pay employees, meet contract payments, and cover daily supplies.



▶ The **Cash Flow Reserve** is providing daily operating cash to pay employees, meet contract payments, and cover daily supplies. The cash flow reserve is expected to be at its lowest point in August as several significant obligations are due.



Contingency Cash - \$299M

Available for unanticipated, non-recurring needs that arise. Funds must be replenished within 1-2 years.



▶ The District has used \$236.4M of its **Contingency Cash Reserve**, mostly for COVID-19 response.



Fiscal Stabilization - \$213M

May be used to cover revenue shortfalls experienced by the District government.



▶ The full \$213M **Fiscal Stabilization Reserve** was used to balance the 4-year financial plan, and is budgeted to be replenished over the life of the plan.



Emergency Reserve - \$149M

Available for extraordinary unanticipated, non-recurring needs, such as a natural disaster or calamity. Typically used only after Contingency Cash has been exhausted.

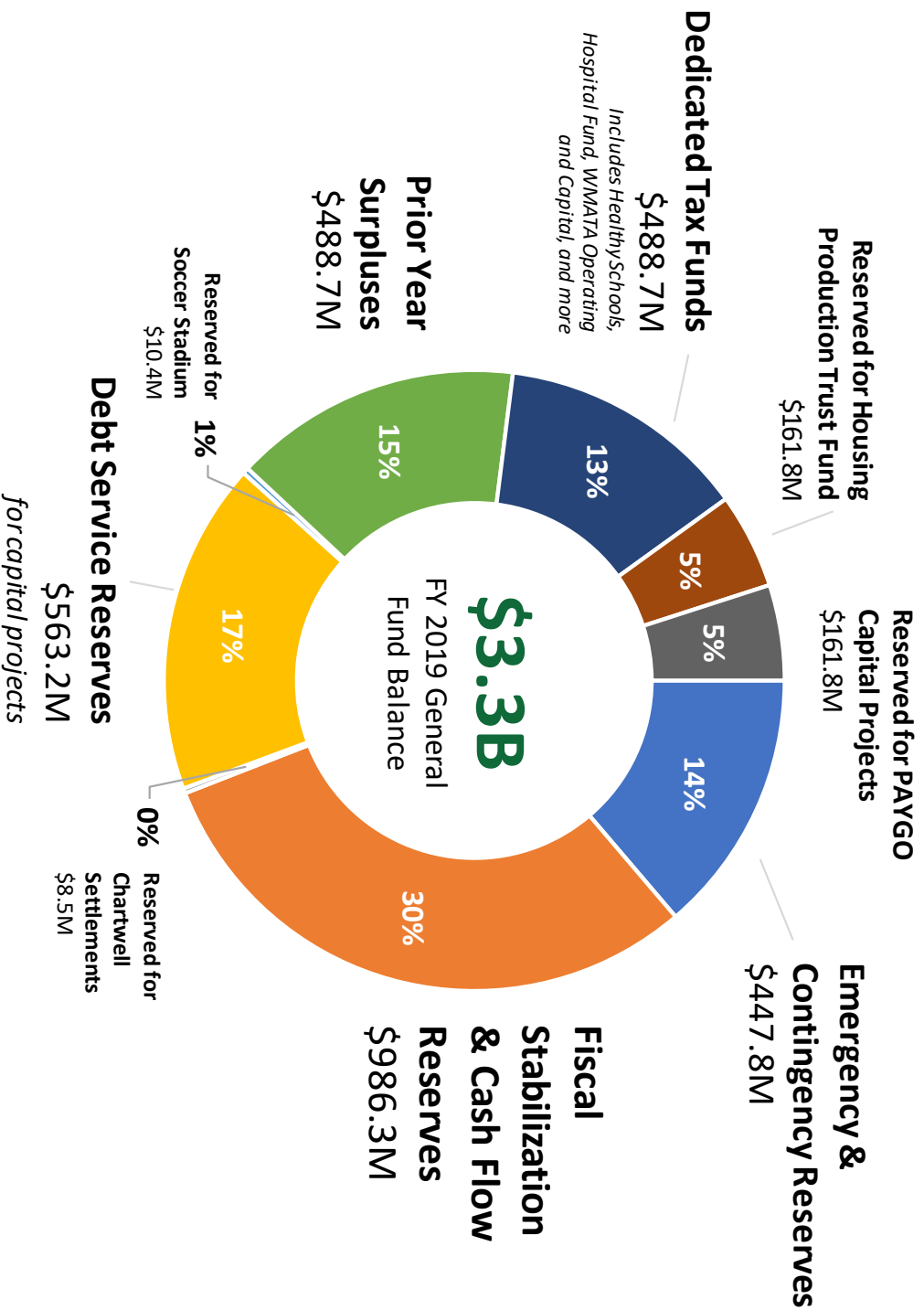


▶ We preserve the **Emergency Reserve** in case we have a second wave of COVID19 or another unforeseen emergency.

What Makes Up Our \$3.3B in Fund Balance?

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**Our Fund Balance is essentially what we have in our bank account.
Only some is available for use in solving budget challenges.**

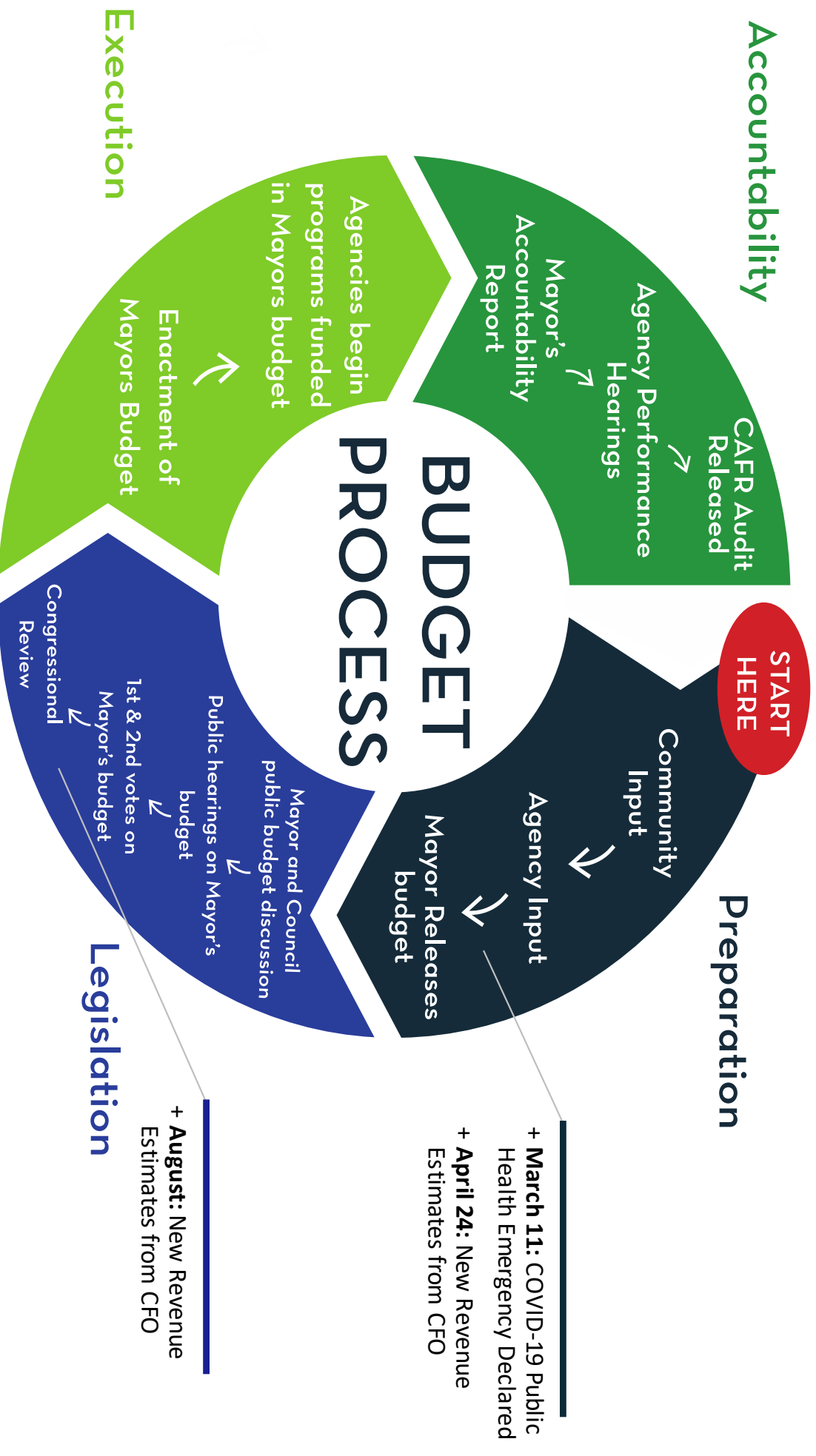


Other Funds Not Shown

- Additional reserve funds not included in the District's General Fund reserves include the following, totaling over \$2B:
- Unemployment Insurance Trust Fund (\$680M)
 - Paid Family Leave (PFL) Fund (\$271M)
 - DC Water (\$643M)
 - Washington Convention & Sports Authority (\$164M)
 - DC Retirement Fund (\$44M)



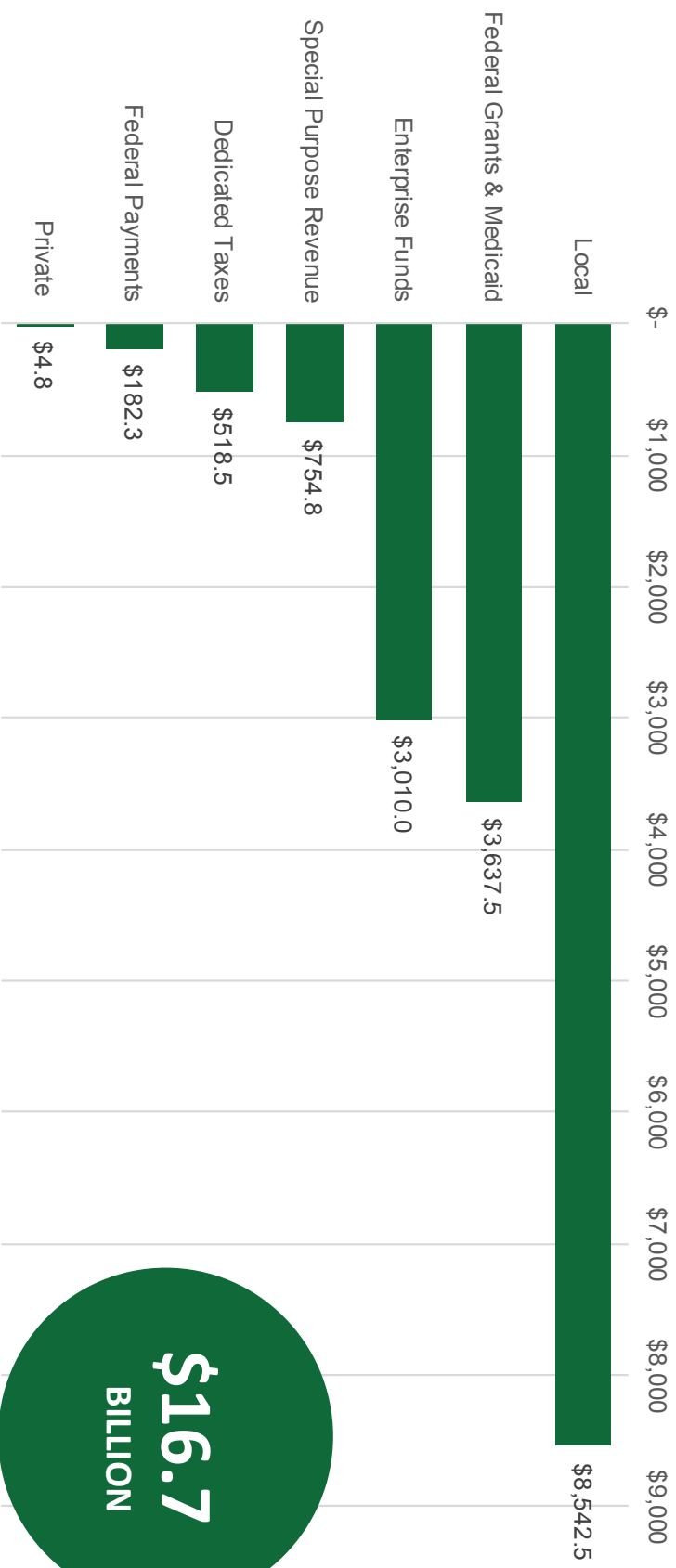
Budget Process





Total Budget: Sources

Sources of Gross Fund



*Dollars in millions

NOTE: Growth in Enterprise Funds since FY 2020 is due to growth in Unemployment Insurance (UI) and Paid Family Leave (PFL) funds.



Total Budget: Uses

Gross Funds Expenditure Budget

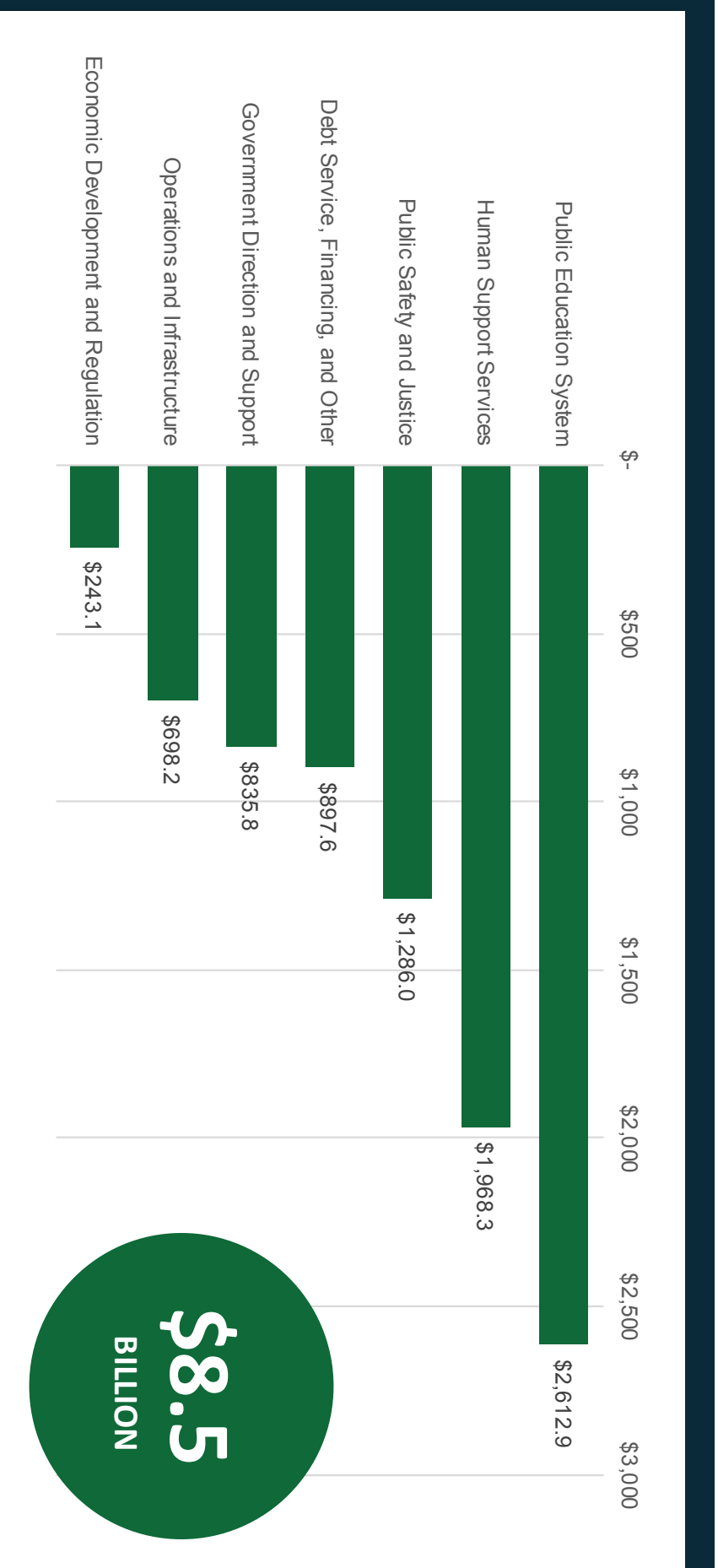


*Dollars in millions



Local Funds Budget by Cluster

Local Fund Expenditures by Appropriation Title



*Dollars in millions



Budget Growth (Local Funds)

Year-Over-Year Percent Change



NOTE: FY19 includes \$178.5M in Dedicated Tax revenue that was previously and in subsequent years part of the Local Funds Budget. To ensure comparability, this amount was added into the FY19 total.



Capital Budget: Sources

Sources for FY 2021-FY 2026



*Dollars in millions



Capital Budget: Uses

Uses for FY 2021-FY 2026



*Dollars in millions

Revenue Losses Are Significant

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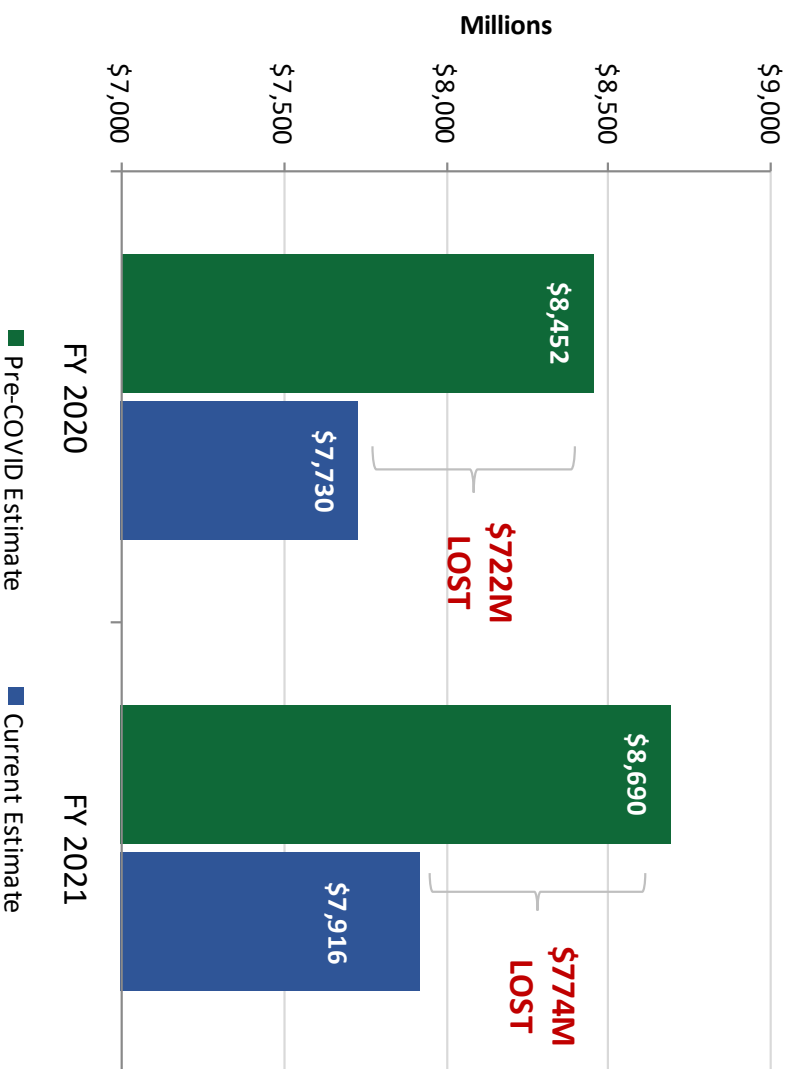
What does it mean to cut \$700M+ from the operating budget?

- Hypothetically speaking... cutting the combined local budgets of the Departments of Human Services, Disability Services and Parks and Recreation—and then some

What does it mean to cut \$1.2B from the capital budget?

- Hypothetically speaking... cutting all local capital for both DDOT and DCPS and cutting 3 years of fleet
- Hypothetically speaking... cutting all DMPED capital projects plus the new St. Elizabeths Hospital plus all fleet for 3 years

FY 2020 & FY 2021 Projected Revenue Loss



How Did We Close the Gaps?

Overall

Full use of
FY 2019
surplus

Full use of
Fiscal
Stabilization
Reserve

Reversal of the
Evans
amendment in
order to capture
additional
revenue from
Ballpark Stadium
Bon Defeasance

Utilized
estimated
bond
refinancing
savings in
FY 2021 and
FY 2022

Assumed no
pay growth
in the out-
years of the
financial
plan

\$322M

\$213M

\$105M

\$80M

\$250M

How Did We Close the Gaps?

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FY 2020

- Made **\$190M** in reductions to agency budgets, mostly through the hiring and spending freeze
- Shifted **\$214M** in eligible local funds onto the state COVID fund
- Used **\$267M** in prior-year surpluses (including PAYGO) and other financial tools to balance the rest

FY 2021

- Made **\$166M** in reductions to agency budgets, including cutting all pay increases
- Shifted **\$38M** of eligible expenses onto the state COVID fund
- Used **\$213M** in Fiscal Stabilization Reserves & **\$320M** in prior-year surpluses, including PAYGO & HPTF

ADDITIONAL INVESTMENTS IN FY 2020

In addition to reductions in FY 2020, we also provided **\$80M** in increases for union pay agreements, District leases, and other commitments, including meeting increased need for housing assistance, schools, and Medicaid.

How Did We Close the Gaps?

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Six-Year Capital Improvement Plan (CIP)

Cut **\$1.2B** by removing and/or shifting projects that were not ready to move forward on previously scheduled timelines.

Our focus:

- 1 Maintaining timelines for existing projects when able to still deliver on time**
 - ✓ All existing school and recreation center modernizations
 - ✓ K Street Transitway and Benning Road Streetcar Extension
- 2 Keeping core infrastructure and assets in a state of good repair**
 - ✓ Funding for streets, sidewalks, alleys, and fleet remain priorities
- 3 Prioritizing immediate maintenance and safety concerns**
 - ✓ Funding added for Daly Building, New Beginnings campus, DC Jail, St. Elizabeths

Despite the financial challenges we face, we still were able to make significant new investments in:



Education



Healthcare



Housing

We are leveraging federal resources to allow us to both respond to the needs of the immediate COVID-19 public health crisis & invest in the District's recovery, but we urgently need the additional \$750 million owed to DC as we help our residents & community recover from this unprecedented public health crisis.



Education

- A **3% increase** to the uniform per student funding formula (UPSFF) for a total of **\$1.92B** to serve an estimated 98,315 DC public traditional and charter school students
- Continued expansion of IT devices and supports (**\$6M**) and expansion of the school based mental health program through new federal resources (**\$1.5M**)
- **\$90.3M** for programs and services at UDC and **\$108M** in capital improvements for university facilities
- **\$1M** to help open the new MLK Library and **\$37.2M** for new Parklands-Turner and Chevy Chase public libraries
- **\$75M** in capital funds to support 17 schools in the creation of 540 new early childcare seats and 180 Pre-K seats



- **\$1.4B** to expand or modernize 41 schools, including:
 - **\$80.2M** to open a new Bard High School Early College
 - **\$56M** to open a new Foxhall Elementary School
 - **\$6M** to create space for a new Early Childhood Development Center and expand Pre-K seats at Amidon-Bowen Elementary school
- **\$23M** for a new expansion at Barnard Elementary
- **\$27.8M** to add 5 new PACE elementary schools for modernization

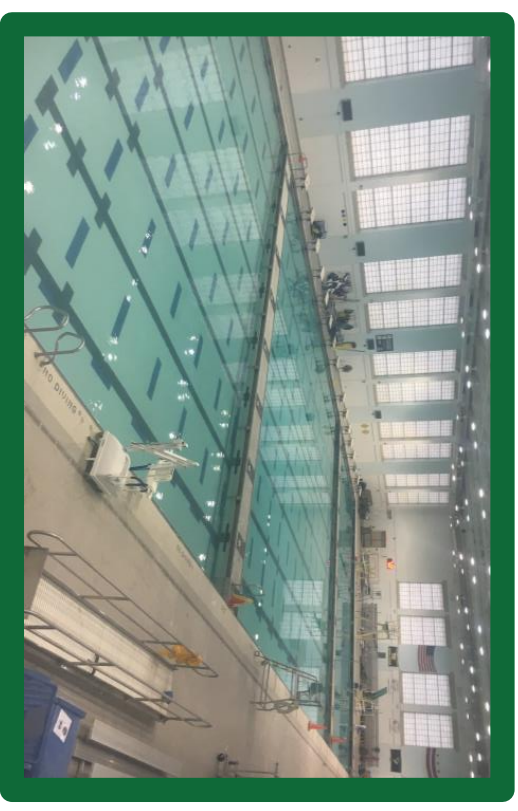


Education

Parks & Recreation

\$204M in capital investments over six years to renovate 26 park and recreation facilities, including:

- **\$71.3M** to continue or create projects modernizing 6 recreation centers across 5 wards, including:
 - *Theodore Hagens Cultural Center* in Ward 5
 - *Therapeutic Recreation Center* in Ward 7
 - *Takoma Aquatic Center Roof Replacement* and *Walter Reed Pool* in Ward 4
- **\$41M** to improve and preserve recreation facilities in all 8 wards, including investments in ADA compliance, access and security, HVAC replacements, IT infrastructure, swimming pool replacements, and more
- **\$1.5M** to convert Jefferson Field to turf to improve usability and field conditions

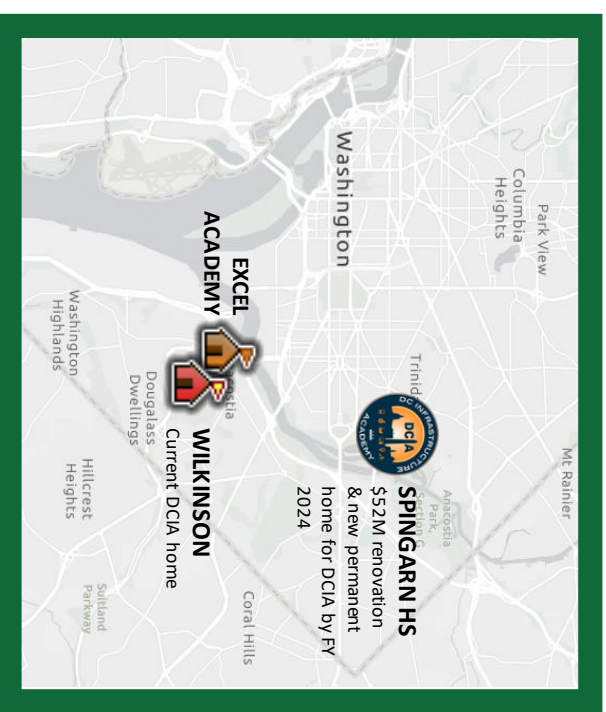




Education

We will create a **permanent home for Excel Academy** and invest over \$52M to renovate **Spingarn High School** to create a long-term home for the **DC Infrastructure Academy**.

The Infrastructure Academy will move from the Wilkinson location by FY 2024, and Wilkinson will be surplusd to the Charter sector. We will also be exploring a Charter tenant to co-locate at Spingarn.





Healthcare Improvements

- **\$4.2M** to support 5 new *Centers of Excellence* at Howard University Hospital and **\$25M** to support the development of a new Howard Hospital, to be completed by 2026 (plus future tax abatements of **\$225M**)
- **\$4.8M** to implement recommendations from the Mayor's Commission on Healthcare Systems Transformation to reduce reliance on emergency care and improve health outcomes
- **\$35M** in additional funds to support increased enrollment in Medicaid as a result of the public health emergency
- **\$1.4M** in grants for developmental disability service providers & increased Stevie Sellows fees to provide **\$1.6M** for intermediate care facilities to pay increased wages to their staff



\$365M for a new, state-of-the-art hospital and ambulatory center at St. Elizabeths

The 136-bed center will provide maternity services and newborn deliveries and help address inequalities in health outcomes and provide a comprehensive network of care to meet Ward 7 and Ward 8 residents' needs



Affordable Housing

- Maintains **\$100M** in the Housing Production Trust Fund in FY20 and FY21 to create 1,000 new units of affordable housing and continue investments in affordable housing production and preservation; adds \$1M in FY21 to leverage a total of **\$4M** for the Preservation fund
- **\$76M** across FY21 and FY22 for the Housing Authority Dash Fund to renovate, rehabilitate, and refresh the Housing Authority portfolio — **\$40M** for state of good repair, and **\$36M** for New Communities
- **\$19.5M** to provide affordable homeownership for residents through the Home Purchase Assistance Program (HPAP) and Employer Assisted Housing Program (EAHP)
- **\$15.6M** in anticipated federal funds to support increased rental assistance and non-profit project delivery support



- **Homeward DC: \$5M** for new Permanent Supportive Housing Units and **\$7.8M** to open new ward-based emergency family housing
- **\$35M** to expand and renovate our permanent and temporary supportive housing



Public Safety



- **\$1.7M** to expand the MPD Cadet program from 100 to 150 cadets, offering more DC high school graduates a path to earn college credits and become police officers
- **\$300K** to supplement existing Public Health Emergency Preparedness funds, enabling DFS to add a Medical Technologist and purchase additional equipment
- **\$86M** in capital funds to purchase new emergency response vehicles
- **\$4.5M** in capital and operating funds to buy lifesaving cardiac equipment used by EMS personnel
- **\$2M** to add 30 correctional officers at the DC jail; reducing overall costs to maintain a safe and orderly environment 24/7 & **\$48M** in capital funds to upgrade critical building systems at the jail
- **\$200K** for a new consumer case management system at DCRA to improve code violation enforcement as recommended by the independent review of the 708 Kennedy Street Fire



Jobs & Economic Opportunity

- **\$7M** in our Great Streets and Neighborhood Prosperity Fund for business development with a focus on mixed-use development in high-unemployment areas; **\$3.7M** for Main Streets & **\$4.5M** for Clean Teams
- **\$250K** to expand assistance to returning citizens to start their own businesses through DSLBD's Aspire to Entrepreneurship program
- **\$250K** to assist local small business owners with participation in DC's new online sports wagering program
- **Expanded** access to DC's Opportunity Accounts so residents can use matched savings for medical emergencies not covered by insurance, as well as health insurance premiums in the event of a sudden income loss
- Notable investments in key economic development projects such as **\$75.5M** for McMillan Reservoir redevelopment, **\$122.6M** for St. Elizabeths infrastructure development, **\$14.5M** for Hill East



Transportation & the Environment

- **\$467M** to improve the condition of District streets, sidewalks, and alleys
- **\$113M** for DC Streetcar, including extending the line to the Benning Road Metro Station, & **\$117M** for completion of the K Street Transitway by 2023
- **\$17.8M** for bus priority and efficiency initiatives, including dedicated bus lanes and other measures to help buses bypass traffic congestion
- **\$6.5M** to support continued improvement of our Circulator bus system
- **\$2.8M** to continue dedicated towing services and bike lane enforcement during rush hour to support safer and more efficient commutes
- **\$40M** to clean up the Anacostia River, including environmental remediation at Poplar Point and Kenilworth Park, to help make the river fishable and swimmable again
- **\$53M** for tree planting and urban forestry efforts to protect and expand the District's tree canopy



Advancing Vision Zero with **\$56M** in roadway and intersection safety improvements, bike lanes, and trails, and **\$146M** for streetscapes that make it safer to walk or bike

- **\$1M** to install new electric vehicle charging stations at District agencies
- **\$1.7B** to support capital infrastructure upgrades for Metro



Government Operations

- **\$4.3M** to fully fund the Fair Elections Amendment Act
- **\$1M** to continue investment in the Statehood Education Campaign Initiative
- **\$10M** in capital funds to begin planning and renovation work at the historic Daly Building in Judiciary Square in FY21
- **\$2M** to support and enhance the District's cybersecurity preparedness and incident response capabilities
- Creation of an **online marketplace** to digitize, simplify and improve accountability of the third-party construction inspection process



\$2.5M to continue investment in the Immigrant Legal Justice Grant program



The District government and District residents and businesses are estimated to receive a total of \$3.9B in federal response and recovery funds.

- The vast majority of funds (\$3.2B) are **passed through as direct assistance** to businesses (\$2.4B), hospitals (\$130M), schools and universities, WMATA, and payments to residents through programs like SNAP and LIHEAP
- **Nearly \$725M comes to District government** through broad relief funds (Coronavirus Relief Fund - \$495M) or specific increases to grants (such as Community Development Block Grant) within District agencies to allow them to expand services.
- The costs of responding to COVID-19 are substantial and still growing. Importantly, **the District needs the same federal funds given to every other state** to be able to respond to the full impacts of the COVID-19 public health crisis.

Federal & District Assistance In Progress

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Residents

- **\$248.8M** of Unemployment Insurance payments for more than 54,500 individuals since March 13
- **More than 400,000** meals provided to children and families at our meal sites across DC since March 16; estimated to continue to serve 50k-55k meals weekly going forward
- **\$16.8M** of emergency SNAP benefits to over 34k current DC SNAP households who are not receiving the maximum benefit (as of 5/8)
- Estimated **\$26M** of pandemic-electronic benefit transfers for food assistance to 40k families who are *not* receiving SNAP, and another 17k families with eligible children currently on SNAP
- **298,942 meals** delivered to more than **6,400 seniors** since March 11
- **9,300 laptop** devices & nearly **4,000 hotspots** delivered to support students remote learning and home internet access
- District **delay of income tax** payments until July 15

Businesses & Health Care Facilities

- **\$28.6M** for District Small Business Grants & Additional Robust Retail Grants
- **\$25M** in District hospital assistance grants, **\$130M** in federal hospital assistance & **\$11M** in federal funds to our local Federally Qualified Health Centers and Clinics
- **\$13M** in District assistance to increase payments to Home Health Aids and Intermediate Care Facility providers
- District **delay of sales tax** payments (except hotels) until July 20th and **property tax** payments (hotels only) until June 30th
- **\$2.24B** in federal Paycheck Protection Program assistance awarded
- **\$78.2M** in federal Economic Injury Disaster Loans awarded

Additional Federal Assistance

32

Housing & Homelessness Assistance:

- \$17.7M in rental assistance & non-profit provider support through additional federal CDBG, ESG and HOWPA funds
- \$12.4M to the DC Housing Authority to support payments for residents who have lost income
- Federal assistance to owners of HUD-insured project-based rental assistance housing, section 202-supportive housing (seniors) and section 811-supportive housing (people with disabilities) to assist with payments from residents who have lost income
- \$2.3M in additional utility assistance through LIHEAP

Education & Early Child Care:

- \$54M in educational assistance to DC Public Schools & Public Charter Schools through OSSE
- \$11M in federal assistance to the University of the District of Columbia
- \$6M in childcare assistance
- \$1.2M to connect dislocated workers back to the job market

Nutrition:

- Continued assistance through increased SNAP benefits & emergency SNAP payments
- \$2.4M to support our local food banks
- \$3.6M to support more home delivered meals to seniors

Income and Other:

- Additional federal unemployment insurance assistance through July 2020
- \$16.2M in Community Services Block Grant to support our most vulnerable communities through access to: employment, education, income management, housing, nutrition, self-sufficiency and health services
- \$2M to support mental health and substance use disorders

Estimated COVID-19 Initial Costs Through June

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Please note: We are still in the midst of a public health crisis. Estimates are preliminary and change as new information is learned about COVID-19 and strategies are developed and/or revised to mitigate against further spread, infection, and impact.

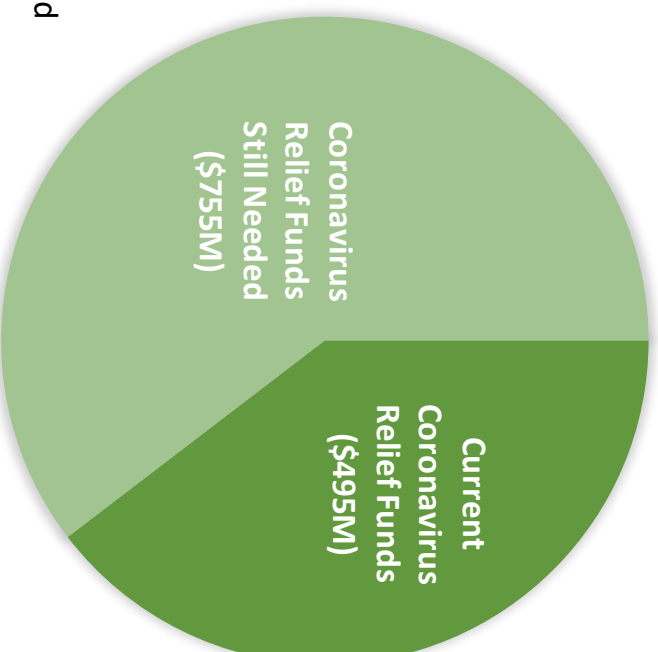
- **\$43M** on PPE, enhanced cleaning, sanitizer, and cleaning supplies
- **\$108.6M** on medical supplies, equipment, and surge build out
- **\$4M** on IT support
- **\$6M** on hotels for quarantine
- **\$20.9M** on call centers, food, equipment, and more
- **\$28.3M** on business assistance grants
- **\$25M** on hospital assistance grants
- **\$158M** on costs for reopening, recovery, and relief
- **\$104.4M** on contact tracing and increased testing*
- **\$223M** on public safety, frontline worker pay and overtime*
- **\$32M** on health care contracts and increased rates for providers*

**costs are estimated through end of the fiscal year or calendar year*

What does DC still need funds for?

- PPE, physical buildouts, sanitizer, thermometers, and enhanced cleaning to reopen safely
- People & equipment to screen for symptoms
- Assisting businesses with buying PPE, making physical changes to improve safety, enhance cleaning & contactless pay systems
- Public spaces will need barriers to help enforce safe distancing practices
- Continued testing, tracing, treatment and vaccinations (*when available*)
- Costs for a second wave of COVID-19 spread
- Children, seniors and vulnerable adults will continue to need access to fresh, healthy food
- Residents will need digital access for learning, faith, and health care visits
- Residents will need access to housing counseling, rental relief, housing supports, and affordable heating and cooling
- Residents will need continued unemployment assistance after some additional federal benefits are set to run out in July and/or are limited to 13 weeks

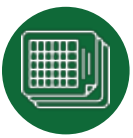
Coronavirus Relief Fund



Current Uses:

- Pay and overtime for public safety and public health response workers
- Costs to help DC reopen, recover, and provide relief
- Business, non-profit, community groups & hospital assistance grants
- Support for vulnerable families served through DHS
- Contact tracing and testing
- IT support and access
- Healthcare delivery
- PPE, enhanced cleaning, and sanitizing
- Medical surge buildout, equipment, supplies & staff

The Coronavirus Relief Fund provides assistance to State, Local and Tribal governments. DC was treated as a territory, not a state, and not provided the full \$1.25B guaranteed to all other states. This is despite the fact that we perform all state, city & country functions, pay federal taxes, and have populations larger than VT and WY.



This Budget will...

Invest \$16.7 billion to give #DCHOPE across all eight Wards





GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

FY 2021 PROPOSED BUDGET AND FINANCIAL PLAN

#DCHOPÉ