



COUNCIL OF THE DISTRICT OF COLUMBIA
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Phil Mendelson
Chairman

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June 23, 2026

Mr. Glen M. Lee, Chief Financial Officer
Government of the District of Columbia
441 4th Street, NW Suite 203
Washington, DC 20004

RE: FY 2027 Budget and Financial Plan

Dear CFO Lee:

I am in receipt of your June 22nd letter urging the Council to pass a balanced budget and four-year financial plan that does not reduce the local reserves. “It is *imprudent* to depend on these resources [the local reserves] to support appropriations...” (emphasis added)

It is not imprudent to leave almost 95% of the reserves untouched, especially when the reserves have never been higher and still will hold over \$2 billion, equal to maintaining 62 days of operating expenses. That is above the GFOA gold standard. Moreover, our reserves are more than enough to satisfy Wall Street. In its April 20th rating action, Moody’s stated that their concern would arise if the District’s “available fund balance [fell] below 15% of revenue.” Our fund balance will remain comfortably above that threshold.

I appreciate that building and protecting the reserve funds is your *policy* view, but, as you know, policy decisions are reserved under the Home Rule Act to the Council and Mayor. The creation of the two local reserve funds was a *policy* decision of the Council. Use of local reserve funds to support appropriations – as has been done several times in the past – is a *policy* decision of the Council. The level set in law for the two local reserves funds also has been a *policy* set by the Council. The CFO does not now have the authority to make a *policy* decision that this time the Council may not use local reserves to support appropriations.

The need, as described in your letter and as you have said repeatedly in meetings, is liquidity – the cash flow needs of the District’s fiscal operations. The June 22nd letter omits that this concern occurs not next year, but in Fiscal Year 2028. I have repeatedly asked for a monthly cash flow analysis through 2028, which you have been unable to produce. This analysis would quantify the need. We could then know the effect of numerous measures that can be taken to address that need. For instance: you are restructuring your approach to capital financing; included in this budget is spreading pension payments over the fiscal year; you are currently negotiating the timing of transit subsidy payments to WMATA; maybe we can change the timing of real property tax payments. How much will each of these measures reduce or even eliminate your liquidity problem in 2028, and are all of them necessary? The point here is that we should not hoard cash when we don’t know that other measures are insufficient.

Moreover, “liquidity” is not synonymous with “balanced budget.” The Home Rule Act provides that the District’s budget is balanced when it would not “result in expenditures being made by the District government, during any fiscal year, in excess of all resources which the Mayor estimates will be


available from all funds available to the District for such fiscal year.”¹ The OCFO apparently reads into the plain language of this provision a requirement to keep the reserves at their current levels to address potential month-to-month cash flow shortfalls in Fiscal Year 2028. However, the Attorney General categorically rejected this position in a formal legal opinion issued over two years ago. The Attorney General expressly stated that “the amount of reserves does not factor into whether, on the whole, budgeted obligations for a particular year exceed available resources[,]” and that “[t]he CFO’s interpretation of the balanced budget requirement is at odds with the plain language of the Home Rule Act.”²

That same formal Opinion of the Attorney General held that the Chief Financial Officer cannot require the Council to maintain the District’s local reserves at a certain funding level. According to the Opinion, allowing the CFO to dictate the funding level of the local reserves “would remove the local budget process from within the control of the Mayor and Council and interfere with the locally elected officials’ decisions about how District government resources should be spent.” Accordingly, your attempt to block the Council from using the \$150 million from the Fiscal Stabilization Reserve exceeds your authority.

Finally, included in the pending Budget Support Act is a subtitle that would repay the Fiscal Stabilization Reserve in Fiscal Year 2026 or 2027 if any of your forthcoming revenue estimates this year exceed the February revenue estimates on which the FY 2027 budget and Financial Plan are based. This would allow the reserves to be maintained at their current levels in the event the CFO has again substantially underestimated the revenues on which the District’s annual budget is based.

In sum, the OCFO does not have the authority to block the Council’s appropriation of a small amount of reserves to support the FY 2027 budget. The Council’s appropriation still will leave the District’s reserve funds at a very healthy level. The real concern – liquidity in 2028 – can likely be addressed through various actions to smooth cash flow.³ But the OCFO lacks a cash flow analysis that quantifies the problem. And in any event, the Council’s legislation includes a provision to replenish the reserves at the level you want.

Sincerely,



Phil Mendelson
Chairman

¹D.C. Official Code § 1-206.03(c)

²Opinion of the Attorney General, Legal Effect of the Chief Financial Officer’s Refusal to Certify the District’s Budget and the Chief Financial Officer’s Authority to Refuse to Release Funds. April 18, 2024

³At odds with your liquidity concern is your office’s instruction to both the Mayor and Council this year and last that in formulating the budget, we may not spread surplus cash in the current fiscal year to the out-years of the Financial Plan. Yet the diminishment of this “reserved for future budgets” is at the center your concern about the loss of liquidity in the out-years.