FY 2011 - FY 2016
Capital Improvements Plan

Introduction

The District's proposed capital budget for FY 2011 - FY 2016 calls for financing $839 million of general capital expenditures in FY 2011. Highlights include:

- Fulfilling the commitments to schools made since FY 2006;
- Making major investments in new neighborhoods, parks and recreation centers, libraries and other areas;
- Continuing construction of a new consolidated laboratory; and
- Investing in mass transit and greater ease of access.

The proposed capital budget calls for financing of general capital expenditures in FY 2011 from the following sources:

- $639 million of General Obligation (G.O.) or Income Tax (I.T.) revenue bonds;
- $100 million of GARVEE (Grant Anticipation Revenue Vehicles) Bonds;
- $10 million of pay-as-you-go (Paygo) capital financing, which is a transfer of funds from the General Fund to the General Capital Improvements Fund;
- $55 million through the master equipment lease/purchase program; and
- $35 million of Local Streets/Unified Fund program (parking tax, public space rental, etc.) revenue.

The FY 2011 Paygo total of $10 million is for a Department of the Environment project that will fulfill responsibilities for the implementation of the District's National Pollutant Discharge Elimination System as required by the federal Environmental Protection Agency and a partial payment for the local contribution to WMATA. Because of the significant decline in District revenue forecasts as a result of the weakened U.S. economy, the Paygo of prior years for school modernization is replaced for a second consecutive year by additional bond financing for FY 2011.

This overview chapter summarizes:

- The District's proposed FY 2011 - FY 2016 capital budget and planned expenditures;
- Details on the District's sources of funds for capital expenditures; and
- Progress made on reducing the shortfall in the District's capital fund.

Table 6-1
Overview
(Dollars in thousands)*

Total number of projects receiving funding	150
Number of ongoing projects receiving funding	137
Number of new projects receiving funding	13
FY 2011 new budget allotments	$839,385
Total FY 2011 to FY 2016 planned funding	$3,663,342
Total FY 2011 to FY 2016 planned expenditures	$3,663,342
FY 2011 Appropriated Budget Authority Request**	$498,811
FY 2011 Planned Debt Service (G.O./I.T. Bond)	$419,109
FY 2011 - FY 2014 Planned Debt Service (G.O./I.T. Bond)	$1,855,086

* Excludes projects financed through the Highway Trust Fund.

** From all funds

The Proposed FY 2011 - FY 2016 Capital Budget and Planned Expenditures

The District budgets for capital using a six-year Capital Improvements Plan (CIP), which is updated annually. The CIP consists of:

- The appropriated budget authority request for the upcoming fiscal year, and
- An expenditure plan and projected funding for the next 5 years.

Each year's CIP includes many of the projects from the previous year's CIP, but some projects are proposed to receive different levels of funding than in the previous year's budget plan. New projects are added each year as well.

The CIP is used as the basis for formulating the District's annual capital budget. The Council and the Congress adopt the budget as part of the District's overall six-year CIP. Inclusion of a project in a congressionally adopted capital budget and approval of requisite financing gives the District the authority to spend funds for each project. The remaining five years of the program show the official plan for making improvements to District-owned facilities in future years. Following approval of the capital budget, bond acts and bond resolutions are adopted to authorize financing for the majority of projects identified in the capital budget. The District issued Income Tax (I.T.) revenue bonds in FY 2009 and FY 2010 to finance some or all of its capital projects previously financed by General Obligation (G.O.) bonds. Where this chapter refers to G.O. bond financing for capital projects, the District might ultimately substitute I.T. bond financing.

The District uses two terms in describing budgets for capital projects:

- Budget authority is given to a project at its outset in the amount of its planned lifetime budget; it can later be increased or decreased during the course of implementing the project. The District's appropriation request consists of changes to budget authority for all projects in the CIP.
- Allotments are planned expenditure amounts on an annual basis. A multi-year project receives full budget authority in its first year but only receives an allotment in the amount that is projected to be spent in that first year. In later years, additional allotments are given annually. If a year's allotment would increase the total allotments above the lifetime budget amount, an increase in budget authority is required to cover the difference.

Agencies may obligate funds up to the limit of (lifetime) budget authority for a project but cannot spend more than the total of allotments the project has received to date. The FY 2011 - FY 2016 CIP proposes a net increase in budget authority of $498.8 million during the next six fiscal years (an increase of $1.386 billion of new budget authority offset by $887.6 million of rescissions).

Planned capital expenditures from local sources (see Table 6-3) in FY 2011 total $839 million to be funded by bonds, Master Equipment Lease Program (short term borrowing), Paygo financing (transfers from the District's General Fund), and local streets/parking tax revenue. To finance these expenditures, the District plans to borrow $639 million in new I.T. bonds, $100 million in GARVEE bonds, $55 million in Master Lease financing, fund $10 million using Paygo financing, and use $35 million in local streets/parking tax revenue.

Planned bond borrowing will be $664 million, although only $639 million will be made available for FY 2011 capital expenditures. The other $25 million will go toward deficit reduction for the capital fund (see the section "Fund Balance of the Capital Fund" below). Proposed borrowing is shown in Table 6-4.

In recent years, the District has increased its capital expenditures to reinvest in its aging infrastructure. The District is limited by funding constraints as well as multiple competing demands on capital and is not able to fund all identified capital needs. As a result of these demands, the District has taken action to meet its priorities while also maintaining a fiscally sound CIP. This has been accomplished by prioritizing capital projects and rescinding budget authority from projects deemed less important, and by reallocating budget to existing and new high priority projects to meet the most pressing infrastructure needs.

Figure 6-1 illustrates FY 2011 capital budget allotments by major agency. Funding for the Office of Public Education Facilities Modernization (OPEFM), which manages modernization projects for District of Columbia Public Schools (DCPS), constitutes the largest share of the planned expenditures, excluding the Highway Trust Fund. OPEFM will have a total of $262 million available from bond sources of capital project financing in FY 2011.

In addition, as with all agencies, unspent capital budget allotments from prior years will be available to be spent in FY 2011.

Figure 6-1

FY 2011 Capital Allotments, by Major Agency (Excludes Highway Trust Fund)

(Dollars in thousands)

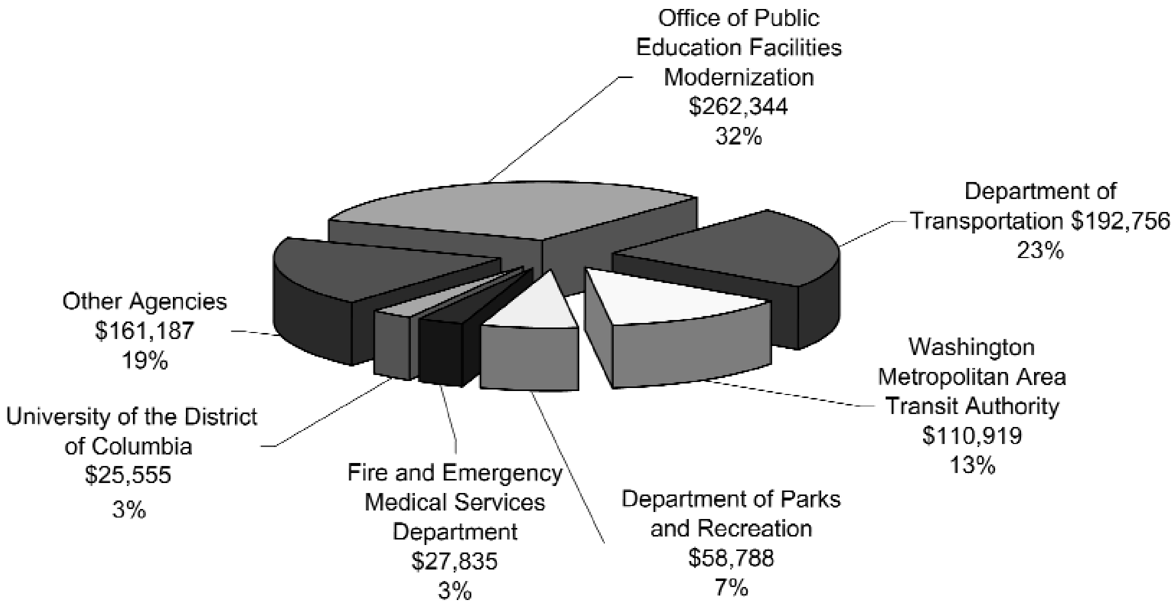


Table 6-2

Proposed FY 2011 Expenditures from FY 2011 - FY 2016 Capital Budget Authority

(Dollars in thousands)

Source	Proposed FY 2011 Expenditures (Allotments)	Proposed Increase (Decrease) in Budget Authority
G.O. Bonds	$619,319	
Paygo (transfer from the General Fund)	$10,150	
Master Equipment Lease/Purchase Financing	$54,657	
GARVEE Bonds	$100,000	
Additional G.O. Bond Borrowing:		
Consolidated Forensics Laboratory	$20,000	
Subtotal, Local Fund	**$804,126**	**$350,354**
Unified Fund (Local Streets):		
Public Space Rental Revenue	$20,259	
Dedicated Parking Tax Revenue	$15,000	
Subtotal, Unified Fund (Local Streets)	**$35,259**	**($113,351)**
Subtotal, Local Fund Total Allotments	**$839,385**	**$237,003**
Highway Trust Fund:		
Federal Highway Administration Grants	$190,458	$190,458
Local Match (from motor fuel tax and other sources)	$46,350	$46,350
Subtotal, Highway Trust Fund	**$236,808**	**$236,808**
Additional Borrowing - Capital Fund Deficit Reduction	**$25,000**	**$25,000**
Total, District of Columbia	**$1,101,193**	**$498,811**

Table 6-3
Capital Fund Pro Forma
(Dollars in thousands; excludes Highway Trust Funds)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total, FY 2011 - FY 2016	Percent of FY 2011
Sources:								
G.O. / I.T. Bonds	$619,319	$467,112	$436,020	$406,482	$250,705	$330,697	$2,510,336	73.8%
Master Equipment Lease	54,657	31,000	26,500	16,000	14,406	28,292	170,855	6.5%
Paygo	10,150	17,903	52,107	90,271	249,276	173,880	593,587	1.2%
Unified Fund (Local Streets)	20,259	20,661	20,661	20,661	20,661	20,661	123,564	2.4%
Unified Fund (Local Streets) - Dedicated Parking Tax	15,000	15,000	15,000	15,000	15,000	15,000	90,000	1.8%
GARVEE Bonds	100,000	0	50,000	0	0	0	150,000	11.9%
Subtotal, Sources	**$819,385**	**$551,676**	**$600,288**	**$548,414**	**$550,049**	**$568,530**	**$3,638,342**	**97.6%**
Additional G.O. Bonds - Large Scale Financings	20,000	5,000	0	0	0	0	25,000	2.4%
Total, Sources	**$839,385**	**$556,676**	**$600,288**	**$548,414**	**$550,049**	**$568,530**	**$3,663,342**	**100.0%**
Uses:								
Office of Public Education Facilities Modernization	$262,344	$268,825	$290,107	$307,461	$323,773	$264,611	$1,717,120	31.3%
Department of Transportation	192,756	57,142	105,842	46,252	45,266	52,509	499,767	23.0%
Washington Metropolitan Area Transit Authority	110,919	111,619	116,019	118,419	120,719	119,619	697,314	13.2%
Department of Parks and Recreation	58,788	11,320	11,070	19,905	11,639	44,150	156,872	7.0%
Fire and Emergency Medical Services Department	27,835	17,226	10,596	13,823	9,468	30,096	109,044	3.3%
University of the District of Columbia	25,555	23,220	14,340	3,580	3,000	0	69,695	3.0%
Office of the Chief Technology Officer	20,558	8,398	7,104	3,926	4,500	11,890	56,376	2.4%
District of Columbia Public Library	15,816	4,393	2,000	1,500	500	0	24,209	1.9%
Department of Real Estate Services	15,530	11,530	17,610	14,980	16,930	17,460	94,040	1.9%
Department of Mental Health	12,500	0	0	0	0	0	12,500	1.5%
Metropolitan Police Department	9,000	3,000	8,200	5,100	5,500	9,200	40,000	1.1%
Department of Consumer and Regulatory Affairs	9,000	2,500	1,000	1,250	0	0	13,750	1.1%
Department of Public Works	8,927	2,704	1,000	4,116	3,850	4,989	25,586	1.1%
District Department of the Environment	7,900	0	0	0	0	0	7,900	0.9%
Office of the Deputy Mayor for Planning and Economic Development	6,300	0	0	0	0	3,000	9,300	0.8%
Office of the Chief Financial Officer	6,200	5,600	600	800	0	1,200	14,400	0.7%
Office of Unified Communications	6,000	5,000	5,000	2,500	0	0	18,500	0.7%
Department of Human Services	5,500	0	0	0	0	0	5,500	0.7%
Office of the State Superintendent of Education	5,400	6,500	5,100	0	0	0	17,000	0.6%
Department of Housing and Community Development	4,000	1,000	1,000	2,400	2,500	5,000	15,900	0.5%
Department of Corrections	3,582	2,000	0	0	0	0	5,582	0.4%
Commission on Arts and Humanities	2,700	2,700	2,700	1,350	1,350	2,700	13,500	0.3%
Office of Planning	2,000	1,000	1,000	1,053	1,053	2,106	8,213	0.2%
Office of Zoning	274	0	0	0	0	0	274	0.0%
Department of Employment Services	0	6,000	0	0	0	0	6,000	0.0%
Subotal, Uses:	**$819,385**	**$551,676**	**$600,288**	**$548,414**	**$550,049**	**$568,530**	**$3,638,342**	97.6%
Large-Scale Financings (Department of Real Estate Services)								
Consolidated Laboratory Financing	$20,000	$5,000	$0	$0	$0	$0	$25,000	2.4%
Total, Uses	**$839,385**	**$556,676**	**$600,288**	**$548,414**	**$550,049**	**$568,530**	**$3,663,342**	100.0%

Note: Details may not sum to totals due to rounding.

Large shares of funding also go toward the Washington Metropolitan Area Transit Authority, the Department of Parks and Recreation, and the District Department of Transportation.

Table 6-2 summarizes planned expenditure amounts for FY 2011 and budget authority requests for FY 2011 - FY 2016. It includes local funds (G.O./I.T bonds, Paygo, local streets, and master equipment lease/purchase), federal grants, and special financings that are discussed in greater detail later in this chapter.

The capital fund pro forma, Table 6-3, summarizes sources and uses in the District's CIP. The Project Description Forms that constitute the detail of this capital budget document include projects receiving new allotments in FY 2011 through FY 2016, as included in the pro forma, totaling $839 million in FY 2011.

Inclusion of a project in a congressionally adopted capital budget and approval of requisite financing gives the District the authority to spend funds for each project. Following approval of the capital budget, bond acts and bond resolutions are adopted to authorize financing for the majority of projects identified in the capital budget. The District issued Income Tax (I.T.) revenue bonds in FY 2009 and FY 2010 to finance or refinance some or all of its capital projects currently financed by General Obligation (G.O.) bonds. Capital projects in the CIP are also financed with GARVEE bonds, a payment in lieu of taxes from the developer of the new headquarters for the United States Department of Transportation (US DOT PILOT), Housing Production Trust Fund, Tobacco Settlement bonds, and Certificates of Participation (COP).

FY 2011 Operating Budget Impact

In general, each $15 million in borrowing has approximately a $1 million impact on the operating budget for annual debt service. The capital budget's primary impact on the operating budget is the debt service cost, paid from local revenue in the operating budget, associated with issuing G.O. bonds to finance the CIP. Table 6-4 shows the overall debt service funded in the FY 2011 operating budget and financial plan.

A secondary impact on the operating budget is the cost of operating and maintaining newly completed capital projects. For example, the replacement of a building's roof, windows, and mechanical systems may decrease the cost of utilities, which would effectively lower the owner agency's operating costs. Conversely, the construction of a new recreation center is likely to increase the owner agency's operating costs for staffing the facility and operating programs there. Similarly, completed information technology projects will likely entail additional operating costs as upgrades, license renewals, or training of staff to operate new systems are required. OBP and the Office of the City Administrator are working to improve the descriptions of operating impact of projects currently found in the Project Description Forms.

Capital-Funded Positions

Specialized labor is often necessary for the design and implementation of capital projects. In many instances, the personal services costs associated with these positions are charged to the General Fund. However, there are certain circumstances that allow agencies to charge positions against capital projects. For example, the Department of Transportation may hire specific types of construction engineers and project managers to work on a Highway Trust Fund road project and charge them against a capital project. Funding for these types of positions is permissible, as long as the position contributes directly to completion of the project.

The number of capital-funded positions rose in FY 2009 compared to FY 2008. Figure 6-2 shows that the District reduced the total number of capital-funded positions between 1993 and 1999. Capital funded FTEs have increased since then but have not reached the level of the early 1990s.

Details on the District's Sources of Funds for Capital Expenditures

The District's proposed FY 2011 - FY 2016 capital budget includes a number of funding sources. The District uses the following sources to fund capital budget authority across a large number of agencies that have capital programs:

- G.O. or I.T. bonds;
- GARVEE bonds
- Paygo capital funding;
- Master Equipment Lease/Purchase financing; and
- Local Streets/Unified Fund (parking tax, public space rentals etc.).

Projects funded by these sources are detailed in the project description pages in Volume 6, FY 2011 - FY 2016 Capital Appendices.

In addition to the above sources, the District's Department of Transportation uses the following sources to fund its capital projects:

Table CA-4

OFFICE OF FINANCE AND TREASURY

Fiscal Years 2011 - 2014 Debt Service Expenditure Projections

	FY 2011	FY 2012	FY 2013	FY 2014
Existing General Obligation (G.O.) Bonds and Income Tax (I.T.) Bonds Debt Service	**$403,693,853**	**$360,685,914**	**$402,170,936**	**$392,612,078**
Prospective I.T. Bonds Debt Service				
- FY 2011 (Fall) IT Bonds ($308.66M)	$7,214,963	$21,365,288	$21,363,700	$20,695,775
- FY 2011 (Spring) IT Bonds ($355.66M)		$16,085,134	$23,815,390	$23,815,390
- FY 2012 (Fall) IT Bonds ($257.51M)		$7,128,138	$19,079,875	$19,079,375
- FY 2012 (Spring) IT Bonds ($257.51M)			$13,266,825	$17,754,913
- FY 2013 (Fall) IT Bonds ($256.56M)			$6,867,163	$18,378,013
- FY 2013 (Spring) IT Bonds ($256.56M)				$11,323,675
- FY 2014 (Fall) IT Bonds ($248.38M)				$6,654,725
- FY 2014 (Spring) IT Bonds ($248.38M)				
Total G.O. and I.T. Bonds Debt Service (Agency DS0)	**$410,908,816**	**$405,264,474**	**$486,563,889**	**$510,313,944**
School Modernization Fund Subtotal (Agency SM0)	$8,612,963	$8,620,713	$8,625,713	$11,862,513
Certificates of Participation (Agency CP0)	$33,044,575	$33,033,738	$33,041,713	$25,119,294
Housing Production Trust Fund Financing (Agency DT0)	$7,574,225	$10,289,825	$13,006,150	$13,011,450
Total Long-Term Debt Service	**$460,140,579**	**$457,208,750**	**$541,237,465**	**$560,307,201**
Master Equipment Lease/Purchase Financing (Agency EL0)	$49,804,074	$47,121,034	$45,044,370	$37,389,622
Interest on Short-term Borrowing (Agency ZA0)	$9,000,000	$9,000,000	$9,000,000	$9,000,000
Total Debt Service	**$518,944,653**	**$513,329,784**	**$595,281,835**	**$606,696,823**
Bond Issuance Costs (Agency ZB0) *	$15,000,000	$15,000,000	$15,000,000	$15,000,000
Total Debt-Related Expenditures	**$533,944,653**	**$528,329,784**	**$610,281,835**	**$621,696,823**

* Has equal and offsetting revenue component funded by bond proceeds in the amount of the actual expenditures

Source: Office of Finance and Treasury

- Federal Highway Administration grants, for Highway Trust Fund projects;
- Grant Anticipation Revenue Vehicles (GARVEEs), which are repaid from future Federal funding; and
- Dedicated motor fuel tax revenues, and several new sources, for Highway Trust Fund projects (these provide the local match for the Federal Highway Administration grants).

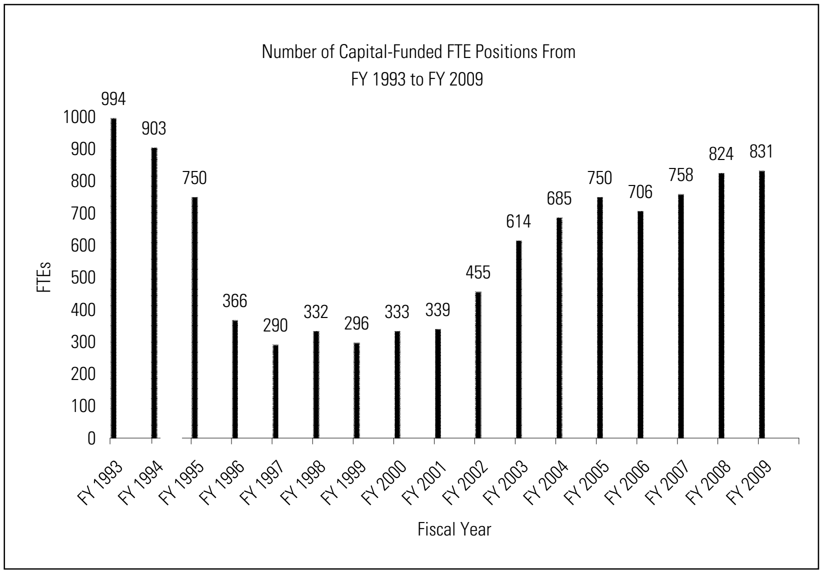
Projects funded by these sources are detailed in the project description pages of Volume 7, The Highway Trust Fund.

Additional bond borrowing of $25 million annually, through FY 2013, is proposed for deficit reduction in the capital fund. The District also proposes to use additional G.O./I.T. bond borrowing, revenue bonds, and a one-time borrowing to finance specific projects:

School Facilities Modernization. Pursuant to the School Reform Act, OPEFM was established to implement capital projects on behalf of DCPS. OPEFM is responsible for substantial rehabilitation of existing DCPS facilities, correcting fire code and life safety violations, addressing system and component replacements, constructing new schools and facilities, and developing a Master Facilities Plan (MFP). In addition, the School Modernization Use of Funds Requirement Emergency Amendment Act of 2007 authorized OPEFM to assume responsibility for maintenance previously conducted by the DCPS Office of Facilities Management. Beginning with the FY 2007 budget, the District has transferred at least $100 million per year of Paygo capital financing from the operating budget to supplement the bond financing it borrows for DCPS facilities capital projects. In FY 2010 through FY 2014,

Figure 6-2

Number of Capital-Funded FTE Positions From FY 1993 to FY 2009



the previously planned Paygo will instead be financed as part of the District's bonds. The financing plan reflects a return to Paygo capital financing in FY 2012.

Renovation of University Facilities. Beginning in FY 2010, the University of the District of Columbia is implementing its own capital projects. The District of Columbia will borrow on the University's behalf and provide approved allotments in the form of an annual capital subsidy. One particularly noteworthy capital project to be constructed is a new student center. UDC collects student fees to offset a portion of the construction cost of this facility.

Neighborhood Branch Libraries. In FY 2009, a federal payment of $7 million was approved by Congress for general improvements and renovations as well as branch libraries including Washington Highlands and Francis Gregory. This payment supplemented the District's investment in its libraries through its regular Capital Improvements Plan.

Government Center Buildings. The District has borrowed funds for Government Center projects, including the Anacostia Gateway Building and the Minnesota/Benning Center. These centers were planned to house the District Department of Transportation (DDOT), Department of Human Services (DHS), and Department of Employment Services (DOES), with the DOES portion supported by proceeds from the sale of its previous building. In the FY 2006 budget, the District received $200 million of budget authority for these projects. Since that time the scope of the project has narrowed. The current plan is to move DHS to another location, and only the DOES portion of the Minnesota/Benning Center is moving forward.

New Communities. The New Communities Initiative is a large-scale, comprehensive plan to revitalize selected District neighborhoods. The District issued $34 million of revenue bonds in FY 2007 for a major investment in the Northwest One community, which includes the Sursum Corda public housing development and surrounding areas as part of the New Communities Initiative. To pay the debt service on these bonds, funds are transferred from the Housing Production Trust Fund (HPTF), which is funded by dedicated revenue (from deed recordation and deed transfer taxes). Through FY 2008, the District budgeted a total of $150 million of capital budget authority for the New Communities Initiative, which includes several additional projects. Revenue bonds for these projects will be issued in FY 2010 and/or subsequent years.

East Washington Traffic Initiative (11th Street SE Bridge). In the FY 2006 budget, the District received $230 million of budget authority for this project, the major component of which is the rebuilding of the 11th Street SE bridge. Of this amount, $200 million was planned to be financed by bond issuances, and federal funds also are anticipated to support this project. Borrowing began in FY 2008 and continued in FY 2009, with debt service to be paid by a portion of the District's parking tax revenues. The District acted in FY 2009 to reduce future debt service costs with the result that a total of $65 million will be borrowed for the project, rather than the originally planned $200 million. Alternative financing has been authorized by the Council in the form of GARVEE bonds issued by the District and backed by future federal funding. $100 million will be borrowed in FY 2011.

Consolidated Laboratory Facility. The District is building a new consolidated laboratory that will be used by the Metropolitan Police Department, the Office of the Chief Medical Examiner, and other agencies. Both the District and the federal government have begun financing this project. Planning and design have been completed, and the construction contract has been awarded for the project. In FY 2008, Congress approved $9 million of federal funds, and the District issued $25 million of general obligation bonds for this project. The District sought additional federal funding in FY 2009 and received $21 million. The District borrowed $75 million in FY 2009, $16.5 million in FY 2010, and plans to borrow an additional $25.0 million through FY 2012.

WMATA Fund Increase. The District plans a contribution of $50 million annually to WMATA capital investments beginning in FY 2010 and continuing for ten years, through FY 2019. The contribution is contingent upon an annual appropriated funding commitment from the Congress of $150 million along with $50 million in annual appropriations from both the State of Maryland and the Commonwealth of Virginia as contributors to the required match for the local jurisdictions to ensure receipt of the federal appropriations.

In FY 2009, the Council of the District of Columbia adopted the *Capital Project Support Fund Establishment Act of 2009*, which authorized the OCFO to move project budgets of $250,000 or less of available balance, and for which no activity (expenditures, encumbrances or pre-encumbrances) had occurred in the three prior fiscal years, to a common project – designated as the WMATA fund (project KE0 SA311C) – for later use through a reprogramming. New available balances were to be segregated depending on whether prior financing had occurred. As projects balances have been moved (see Volume 6, Appendix F) under the authority of this legislation, they were designated as *ABC Fund* directions – 'A' for those budgets that had only *authority and allotment balances* but no prior financing, *'B'* for those budgets which had prior *bond financing* and *'C'* for those with prior financing of *other types*, such as COPs or Master Equipment Lease. Each quarter the OCFO reports to both the Mayor and the Council regarding the movement of fund balances.

Table 6-5 shows expected G.O./I.T. bond borrowing amounts for FY 2010 through FY 2014 for general capital needs and specific projects. It excludes the New Communities project, which is funded by revenue bonds.

Fund Balance of the Capital Fund

From FY 2001 through FY 2005, the District's Comprehensive Annual Financial Report (CAFR) showed a deficit in the General Capital Improvements fund (the "capital fund"), but since FY 2006 the CAFR has shown a surplus (see Table 6-6). The shortfall at the end of FY 2005 meant that capital expenditures had exceeded financing sources by that amount on a cumulative basis, and the District's General Fund had advanced funds to the capital fund to cover the expenditures. Because of several large financings beginning in FY 2006, from which very little was initially spent, the accumulated deficit has became an accumulated surplus. As District agencies spend these proceeds in coming years, this portion of the surplus will disappear. The

Table 6-5

G.O. and I.T. Bond Borrowing, FY 2010 Through FY 2014

(Dollars in thousands)

Source	Actual FY 2010	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013	Proposed FY 2014
G.O./ I.T. bonds, general, including capital fund deficit reduction	$451,187	$644,319	$492,112	$461,020	$406,482
G.O./ I.T. bonds for Consolidated Laboratory Facility	$91,478	$20,000	$5,000		
G.O./ I.T. bonds for Purchase of 225 Virginia Ave SE	$85,200				
Total	**$627,865**	**$664,319**	**$497,112**	**$461,020**	**$406,482**

Note: All amounts and methods of borrowing are subject to change depending on status of projects and market conditions.

Chief Financial Officer's management goal is to balance the capital fund on a long-term basis.

Until a few years ago, agencies had been slow to spend capital dollars, resulting in the District's paying interest on borrowed funds that then sat idle earning lower interest rates in District bank accounts. The District instituted a policy to delay borrowing until funds were needed for expenditures, and borrowing less than the full amount budgeted and/or allotted. At the same time, agencies were pressured to begin spending budgeted capital dollars. Eventually, this resulted in a situation in which total agency spending (of existing capital budget authority and prior allotments) exceeded the amount of funds borrowed, producing a deficit in the capital fund. The General Fund paid for these capital expenditures, essentially as a loan to the capital fund. It was necessary to cure this shortfall in order to bring the capital fund and General Fund back into balance and also to prevent cash flow problems in the General Fund.

In FY 2006, the District borrowed $196.9 million through Certificates of Participation (COPs) for a new mental health hospital and a new building for the Department of Motor Vehicles, and it securitized $245.3 million of future tobacco revenues to pay for health care needs in the District, primarily through capital expenditures. Little was spent against these two financings in FY 2006, so they had a large positive net effect on the capital fund balance. Similarly, in FY 2007, there were several large sources of revenues with minimal FY 2007 spending. For example, the District transferred $100 million of Paygo revenue to the capital fund for schools construction and also borrowed $60 million in the first installment of the additional FY 2006 bond funds for schools. However, D.C. Public Schools did not have access to the budget for these funds until April of 2007 because of legislative restrictions, and little was spent by the end of FY 2007. The District also borrowed $64 million against future bus shelter advertising revenues for the Great Streets programs. Much of the $407 million of the FY 2009 year-end capital fund balance consists of the unspent proceeds of FY 2006 COPs and tobacco bonds and FY 2007 school modernization and Great Streets financings.

Most of these balances are likely to be spent within the next several fiscal years, which will rapidly reduce the capital fund balance. Thus, the District must still keep a close watch on the underlying status of the capital fund, notwithstanding the current surplus. The long-term solution to the capital fund shortfall includes development of, and monitoring against, agency spending plans for their capital projects that manage each year's overall expenditures against that year's revenues. The District will also continue to borrow $25 million per year, through FY 2013, above each year's new capital budget allotments to gradually repay the General Fund for advances it made to the capital fund.

Table 6-6

Fund Balance in the General Capital Improvements Fund, FY 1998-FY 2009

(Dollars in millions)

Fiscal Year	Positive/(Negative) Fund Balance
1998	$224.0
1999	387.5
2000	458.4
2001	(57.9)
2002	(389.5)
2003	(141.8)
2004	(250.2)
2005	(246.4)
2006	396.8
2007	703.8
2008	586.9
2009	406.9