Capital Improvements Plan

FY 2007 - FY 2012

Introduction

The District of Columbia continues to make progress in implementing its Capital Improvement Plan (CIP). The proposed FY 2007-FY 2012 capital budget includes major investments in schools and libraries as well as continuing investments in affordable housing, economic development, parks and recreation centers, mass transit, and a variety of other areas. The District faces two challenges that limit its ability to expand its CIP as much as might be desired: it must work within a constrained borrowing environment, because its debt per capita is so high, and it must continue reducing the deficit in its General Capital Improvements fund.

The Mayor's proposed FY 2007-FY 2012 capital budget calls for financing $656.3 million of general capital expenditures in FY 2007, from the following sources:

- $400 million of General Obligation (G.O.) bonds,
- $181.5 million of pay-as-you-go (Paygo) capital financing--a transfer of funds from the General Fund to the General Capital Improvements Fund--and
- $74.8 million through the master equipment lease program.

Several other sources are proposed to finance several large-scale capital projects as well.

Of the FY 2007 Paygo total, $100 million is the first year's installment of a newly enacted $1 billion plan for schools modernization for the D.C. Public Schools (DCPS). The plan calls for $100 million of operating budget revenue to be transferred each year to DCPS. This financing will supplement G.O. bond-financed capital projects, for which DCPS is already scheduled to receive budget authority.

This overview chapter summarizes

- The proposed FY 2007-FY 2012 capital budget and planned expenditures;
- Details on the District's sources of funds for capital expenditures;
- The shortfall in the capital fund, and steps the District will take to reduce the shortfall;
- An outline of this capital budget document;
- The District's policies and procedures on its capital budget and debt; and
- A summary of the Water and Sewer Authority's capital program.

The Proposed FY 2007-FY 2012 Capital Budget and Planned Expenditures

The District budgets for capital using a six-year CIP, which is updated annually. The CIP consists of the appropriated budget authority request for the upcoming fiscal year and projected funding as well as expenditure plans for the next 5 years. The proposed FY 2007-FY 2012 CIP include many of the projects from last year's CIP, but some projects are proposed to receive different levels of funding, and new projects have been added as well.

Table CA-1

Overview

(Dollars in thousands)*

Total number of projects receiving funding	193
Number of ongoing projects receiving funding	113
Number of new projects receiving funding	80
FY 2007 new budget allotments	$507,371
FY 2007 expenditures planned from prior allotments	$148,929
Total FY 2007 planned expenditures	$656,300
Total FY 2007 to FY 2012 planned funding	$3,188,693
Total FY 2007 to FY 2012 planned expenditures	$3,188,693
FY 2007 Appropriated Budget Authority Request**	$1,995,455
FY 2007 Planned Debt Service (G.O. Bond)	$409,614
FY 2007-FY 2010 Planned Debt Service (G.O. Bond)	$1,955,872

* Local funds only; excludes projects financed through Local Streets Maintenance Fund, Highway Trust Fund, revenue bonds, Certificates of Participation, financing for baseball, or other one-time borrowing, except where noted.

** From all funds, excluding only projects financed through Local Streets Maintenance Fund and Highway Trust Fund.

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. Following approval of the capital budget, bond acts and bond resolutions are adopted to finance the majority of projects identified in the capital budget. 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

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 2007 - FY 2012 local funds CIP proposes a net increase in budget authority of $1.637 billion during the next six fiscal years (an increase of $1.698 billion of new budget authority offset by $61 million of rescissions).

Planned capital expenditures from local sources in FY 2007 total $656.3 million, of which $581.5 million is to be funded by G.O. bonds and Paygo financing (transfers from the District's General Fund). To finance this $581.5 million of expenditures, the District plans to borrow $400 million in new G.O. bonds and fund the remaining $181.5 million using Paygo financing.

Two features of the proposed FY 2007-2012 capital budget will help reduce the deficit in the District's capital fund. First, new allotments from all finanincg sources will be limited to $507.4 million. The other $148.9 million of planned FY 2006 expenditures will be against allotments that agencies have received in prior years for their capital projects. By providing more financing than the new allotments awarded, the District will finance expenditures against previously awarded budget allotments. Second, actual G.O. bond borrowing will be $450 million, although only $400 million will be made available for F Y2007 capital expenditures. The other $50 million will go toward deficit reduction for the capital fund.

After several years of underfunding, the District has significantly increased its expenditures to reinvest in its infrastructure. However, even today, it is not able to fund all its identified capital needs, as competing needs pull in opposite directions. The District is limited by funding as well as competing demands on capital. As a result of these demands, the District has taken action to meet its priorities while also maintaining a fiscally sound CIP. First, it has prioritized its capital projects and rescinded budget authority from those it deemed less important. Second, it has reallocated funding to high priority projects - both existing and new so that it can meet its most pressing infrastructural needs.

Figure CA-1 illustrates the planned expenditures from new FY 2007 allotments by major agency. Funding for D.C. Public Schools (DCPS), including schools modernization funding, constitutes the largest share of the planned expenditures. DCPS will have a total of $223.3 million available from three sources of capital project financing in FY 2007:

- New G.O. bond allotments ($63.3 million)
- Paygo transfer from sales tax revenue ($100.0 million)
- First portion of Schools Modernization fund ($60 million, estimated)

A significant portion of funding also goes toward the Office of the Chief Technology Officer and the Washington Metropolitan Area Transit Authority.

Table CA-2 summarizes planned expenditure amounts for FY 2007 and budget authority requests for FY 2007-FY 2012. It includes both local funds (G.O. bond, Paygo, and master equipment lease) and special financings that are discussed in greater detail below.

The capital fund pro forma, table CA-3, summarizes the sources and uses for local funds in the District's CIP. The Project Description Forms that constitute the detail of this capital budget document include all projects receiving new allotments in FY 2007 through FY 2012 from local sources, totaling $507.4 million in FY 2007.

Figure CA-1
FY 2007 Capital Allotments, by Major Agency

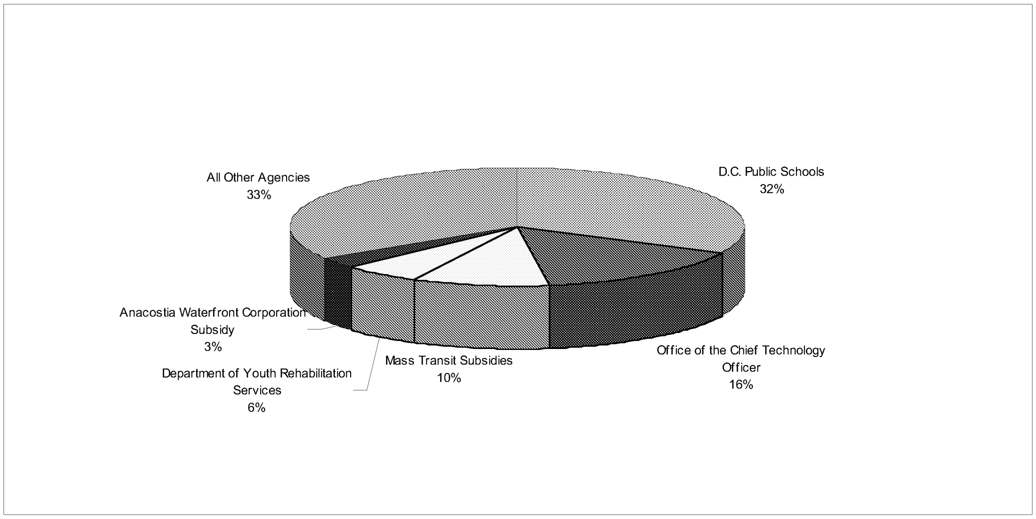


Table CA-2
Proposed FY 2007 Expenditures and FY 2007-FY 2012 Capital Budget Authority
(Dollars in thousands)

Source	**Proposed FY 2007 Expenditures**	**Proposed FY 2007-FY 2012 Budget Authority**
G.O. Bonds	400,000	
PAYGO capital funding (transfer from the General Fund)	181,487	
Master Equipment Lease financing	74,813	
Subtotal, Local Funds	**656,300**	**1,637,255**
Additional G.O. bond borrowing:		
Capital fund deficit reduction	50,000	50,000
Schools Modernization Fund	60,000	0
Government Center buildings	200,000	18,200
Great Streets initiative (bus shelter revenue)	64,000	0
Revenue bonds:		
New Communities (HPTF revenue)	75,000	15,000
Financing for baseball stadium	267,400 (est.)	63,000
Financing for National Capital Medical Center	TBD	212,000
Total	**1,372,700**	**1,995,455**
Additional Sources:		
Local Street Maintenance Fund:		
Rights-of-way funds	Forthcoming (June)	Forthcoming (June)
50 percent of parking tax revenue	Forthcoming (June)	Forthcoming (June)
Highway Trust Fund:		
Federal Highway Administration grants	Forthcoming (June)	Forthcoming (June)
Local match from dedicated motor fuel tax revenues	Forthcoming (June)	Forthcoming (June)

Table CA-3

Capital Fund Pro Forma

(Dollars in thousands; excludes Highway Trust and Local Streets Maintenance Funds and special financings)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Total, FY 2007- FY 2012	Percent of of FY 2007
Sources:								
G.O. Bonds	400,000	411,424	411,638	351,008	338,729	310,347	2,223,146	60.9%
Pay-As-You-Go (PAYGO)	181,487	106,000	112,360	119,102	126,248	133,823	779,019	27.7%
Master Equipment Lease	74,813	22,345	22,570	22,865	23,285	20,650	186,528	11.4%
Total, Sources	**656,300**	**539,769**	**546,568**	**492,975**	**488,262**	**464,819**	**3,188,693**	**100.0%**
Uses: New Allotments								
D.C. Public Schools	163,299	217,197	229,809	243,177	257,348	272,369	1,383,199	32.2%
Office of the Chief Technology Officer	79,336	21,546	16,884	17,549	14,839	8,900	159,054	15.6%
Mass Transit Subsidies	48,700	55,900	60,900	68,400	76,200	80,000	390,100	9.6%
Department of Youth Rehabilitation Services	28,500	3,000	0	0	0	0	31,500	5.6%
Anacostia Waterfront Corporation Subsidy	16,000	15,000	0	0	0	0	31,000	3.2%
D.C. Public Library	16,250	39,552	26,603	26,788	38,108	22,168	169,469	3.2%
Deputy Mayor for Economic Development	23,500	15,800	8,500	0	0	0	47,800	4.6%
Office of Property Management	14,760	43,660	35,520	21,820	19,920	18,820	154,500	2.9%
Department of Health	15,200	0	2,800	0	0	0	18,000	3.0%
Department of Transportation	14,405	11,500	10,400	6,100	1,500	1,500	45,405	2.8%
Department of Parks and Recreation	12,992	34,045	51,175	33,575	14,557	12,520	158,864	2.6%
Department of Motor Vehicles	13,404	7,600	0	0	0	0	21,004	2.6%
Department of Public Works	11,928	11,195	6,420	6,275	7,635	7,800	51,253	2.4%
Fire and Emergency Medical Services	11,519	11,852	31,066	24,368	17,850	17,200	113,855	2.3%
Dept. of Consumer And Regulatory Affairs	9,195	7,750	7,750	7,750	7,750	7,750	47,945	1.8%
Metropolitan Police Department	5,900	7,450	10,800	5,200	5,200	5,200	39,750	1.2%
Department of Mental Health	2,000	2,500	500	0	0	0	5,000	0.4%
Dept. of Housing and Comm. Development	3,875	8,750	7,450	1,000	3,850	2,350	27,275	0.8%
University of the District of Columbia	3,300	5,800	13,370	8,800	0	0	31,270	0.7%
Department of Corrections	3,090	2,300	5,299	5,150	7,482	220	23,541	0.6%
Department of Human Services	3,000	5,849	5,500	0	0	0	14,349	0.6%
Commission on Arts & Humanities	2,500	2,500	2,500	2,700	2,700	2,700	15,600	0.5%
Office of Municipal Planning	2,122	2,122	2,122	2,122	2,122	2,122	12,735	0.4%
Office of the Chief Financial Officer	2,100	5,200	10,200	11,200	11,200	3,200	43,100	0.4%
Office of the City Administrator	497	0	1,000	1,000	0	0	2,497	0.1%
Office of the Chief Medical Examiner	0	1,700	0	0	0	0	1,700	0.0%
Subtotal, New Allotments	**507,371**	**539,769**	**546,568**	**492,975**	**488,262**	**464,819**	**3,039,764**	**100.0%**
Uses: Planned Spending from Prior-Year Allotments	148,929	0	0	0	0	0	148,929	
Total, Uses	**656,300**	**539,769**	**546,568**	**492,975**	**488,262**	**464,819**	**3,188,693**	

FY 2007 Operating Budget Impact

Each $15 million in borrowing has approximately a $1 million impact on the operating budget for debt service. The capital budget's 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 CA-4 shows the overall debt service funded in the FY 2007 operating budget, while table CA-5 shows the total outstanding G.O. bonds debt service.

Capital Funded Positions

Designing and implementing capital projects can require specialized labor. In most instances, the personal services (PS) 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 is contributing to completing the project.

Table CA-4

FY 2007-FY 2010 Debt Service Expenditure Estimates

	FY 2007	FY 2008	FY 2009	FY 2010
Existing General Obligation (G.O.) Bonds Debt Service (Agency DS0)	**$386,447,766**	**$388,438,571**	**$385,852,579**	**$389,779,902**
Prospective G.O. Bonds Debt Service				
- FY 2007 Bonds ($650 M)	$17,875,000	$49,425,000	$49,422,875	$49,424,500
- FY 2008 Bonds ($532.5 M)		$15,975,000	$43,280,000	$43,280,000
- FY 2009 Bonds ($526.1 M)			$15,783,000	$42,761,000
- FY 2010 Bonds ($375.7 M)				$11,271,000
- Other	$5,291,000	$18,987,600	$20,261,133	$22,316,333
Total G.O. Bonds Debt Service *	**$409,613,766**	**$472,826,171**	**$514,599,587**	**$558,832,735**
Schools Modernization G.O. Bond Debt Service (Agency SM0):				
- FY 2007 Issuance (assumed $60 M)	$1,650,000	$4,560,000	$4,560,700	$4,562,550
- FY 2008 Issuance (assumed $90 M)		$2,700,000	$7,315,000	$7,315,000
School Modernization Fund Subtotal	**$1,650,000**	**$7,260,000**	**$11,875,700**	**$11,877,550**
Payments on Certificates of Participation (Agency CP0)**	$33,224,900	$33,468,706	$33,723,838	$33,972,319
Payments on Revenue Bonds for Housing Production Trust Fund (Agency DT0)	$6,000,000	$12,000,000	$12,000,000	$12,000,000
Total Long-term Debt Service	**$450,488,666**	**$525,554,878**	**$572,199,125**	**$616,682,604**
Interest on Short-term Borrowing (Agency ZA0)	$8,000,000	$8,000,000	$8,000,000	$8,000,000
Total Debt Service	**$458,488,666**	**$533,554,878**	**$580,199,125**	**$624,682,604**

* Does not include debt service on G.O. bonds issued to finance water and sewer-related projects, which is paid by the D.C. Water and Sewer Authority (WASA). "Other" items include debt service on bonds backed by revenue from bus shelter advertising revenue and parking tax revenue.

** Includes debt service on the One Judiciary Square and Unified Communications Center (UCC)/D.C .Net Certificates of Participation financings. Each year's figure for CP0 includes $1.3 million for property taxes on these 2 properties payable by the District (as Lessee) to the Trustee (as Owner and Lessor), and by the Trustee to the District (as taxing jurisdiction). In effect, the District is paying itself, so there will be tax revenue to offset this $1.3 million of this expenditure line item. In addition, in FY 2006, $4 million of the total will be funded via Intra-District funding for the UCC/DC-Net debt service (and $2 million in FY 2007).

Table CA-5

Outstanding GO Bonds Debt Service

Fiscal Year	Date	Principal	Interest	Total Debt Service	Fiscal Year Debt Service
	12/1/2006		$87,150,254	$87,150,254	
FY Ending 9/30/2007	6/1/2007	$202,805,000	$87,145,219	$289,950,219	$377,100,473
	12/1/2007		$81,720,077	$81,720,077	
FY Ending 9/30/2008	6/1/2008	$213,640,000	$81,717,559	$295,357,559	$377,077,636
	12/1/2008		$76,172,986	$76,172,986	
FY Ending 9/30/2009	6/1/2009	$221,255,000	$76,170,469	$297,425,469	$373,598,455
	12/1/2009		$70,303,341	$70,303,341	
FY Ending 9/30/2010	6/1/2010	$237,005,000	$70,298,306	$307,303,306	$377,606,647
	12/1/2010		$63,994,939	$63,994,939	
FY Ending 9/30/2011	6/1/2011	$191,055,000	$63,989,903	$255,044,903	$319,039,842
	12/1/2011		$58,913,623	$58,913,623	
FY Ending 9/30/2012	6/1/2012	$174,283,004	$78,633,102	$252,916,106	$311,829,729
	12/1/2012		$54,776,959	$54,776,959	
FY Ending 9/30/2013	6/1/2013	$174,389,885	$76,794,556	$251,184,441	$305,961,400
	12/1/2013		$50,814,190	$50,814,190	
FY Ending 9/30/2014	6/1/2014	$170,834,845	$66,289,310	$237,124,155	$287,938,346
	12/1/2014		$46,875,096	$46,875,096	
FY Ending 9/30/2015	6/1/2015	$119,365,000	$46,871,212	$166,236,212	$213,111,308
	12/1/2015		$44,253,585	$44,253,585	
FY Ending 9/30/2016	6/1/2016	$113,980,000	$44,252,260	$158,232,260	$202,485,844
	12/1/2016		$41,668,136	$41,668,136	
FY Ending 9/30/2017	6/1/2017	$119,880,000	$41,667,473	$161,547,473	$203,215,609
	12/1/2017		$38,936,214	$38,936,214	
FY Ending 9/30/2018	6/1/2018	$125,985,000	$38,934,887	$164,919,887	$203,856,102
	12/1/2018		$36,134,455	$36,134,455	
FY Ending 9/30/2019	6/1/2019	$132,320,000	$36,133,127	$168,453,127	$204,587,582
	12/1/2019		$33,231,417	$33,231,417	
FY Ending 9/30/2020	6/1/2020	$137,150,000	$33,230,754	$170,380,754	$203,612,171
	12/1/2020		$30,082,216	$30,082,216	
FY Ending 9/30/2021	6/1/2021	$143,495,000	$30,082,216	$173,577,216	$203,659,432
	12/1/2021		$26,876,489	$26,876,489	
FY Ending 9/30/2022	6/1/2022	$150,575,000	$26,876,489	$177,451,489	$204,327,977
	12/1/2022		$23,620,157	$23,620,157	
FY Ending 9/30/2023	6/1/2023	$157,695,000	$23,620,157	$181,315,157	$204,935,313
	12/1/2023		$20,230,783	$20,230,783	
FY Ending 9/30/2024	6/1/2024	$164,840,000	$20,230,783	$185,070,783	$205,301,566

Table CA-5, continued

Outstanding GO Bonds Debt Service

	12/1/2024		$16,687,331	$16,687,331	
FY Ending 9/30/2025	6/1/2025	$172,625,000	$16,687,331	$189,312,331	$205,999,663
	12/1/2025		$13,013,069	$13,013,069	
FY Ending 9/30/2026	6/1/2026	$180,625,000	$13,013,069	$193,638,069	$206,651,138
	12/1/2026		$9,179,724	$9,179,724	
FY Ending 9/30/2027	6/1/2027	$148,460,000	$9,179,724	$157,639,724	$166,819,448
	12/1/2027		$6,065,964	$6,065,964	
FY Ending 9/30/2028	6/1/2028	$108,400,000	$6,065,964	$114,465,964	$120,531,928
	12/1/2028		$3,829,080	$3,829,080	
FY Ending 9/30/2029	6/1/2029	$67,310,000	$3,829,080	$71,139,080	$74,968,160
	12/1/2029		$2,441,568	$2,441,568	
FY Ending 9/30/2030	6/1/2030	$55,475,000	$2,441,568	$57,916,568	$60,358,137
	12/1/2030		$1,368,765	$1,368,766	
FY Ending 9/30/2031	6/1/2031	$24,390,000	$1,368,765	$25,758,766	$27,127,531
	12/1/2031		$990,375	$990,375	
FY Ending 9/30/2032	6/1/2032	$21,150,000	$990,375	$22,140,375	$23,130,750
	12/1/2032		$673,125	$673,125	
FY Ending 9/30/2033	6/1/2033	$22,000,000	$673,125	$22,673,125	$23,346,250
	12/1/2033		$343,125	$343,125	
FY Ending 9/30/2034	6/1/2034	$22,875,000	$343,125	$23,218,125	$23,561,250
Total Outstanding GO Bonds Debt Service		**$3,773,862,735**	**$1,937,876,953**	**$5,711,739,688**	**$5,711,739,688**

Figure CA-3 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 . The District is still more than 200 positions below its level in FY 1993.

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

The Mayor's proposed FY 2007-2012 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. bonds;
- Paygo capital funding; and
- Master Equipment Lease financing.

Projects funded by these sources are detailed in the Project Description Forms (PDFs) in this budget document.

Additional G.O. Bond borrowing of $50 million is proposed for deficit reduction in the capital fund.

The Mayor also proposes to use additional G.O. bond borrowing, revenue bonds, and a one-time borrowing to finance specific projects:

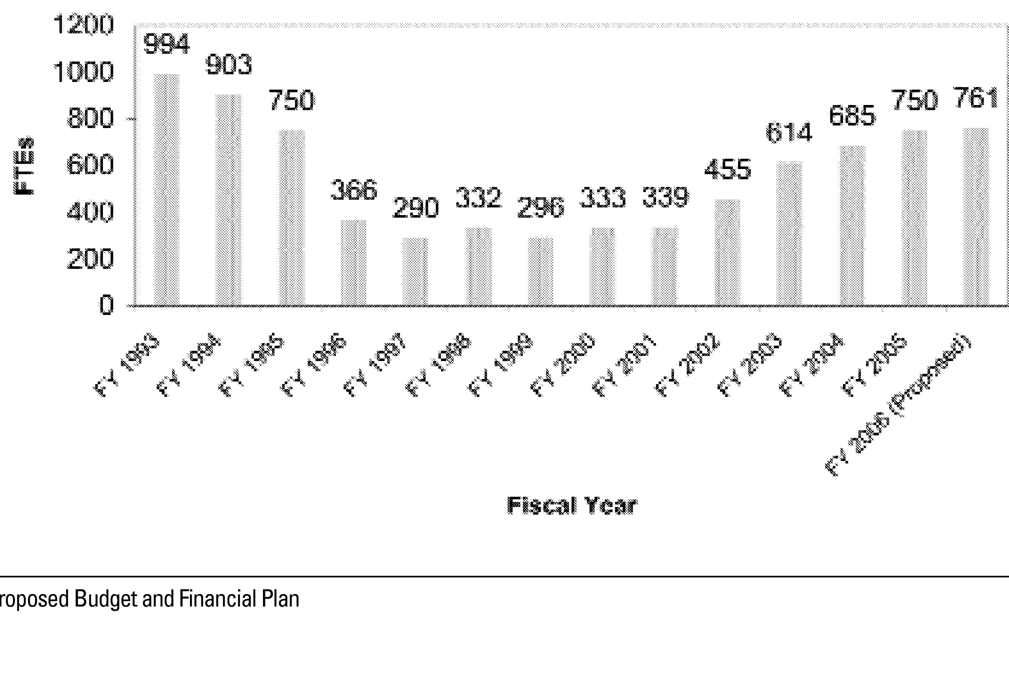
Schools Modernization Fund: The Mayor proposes to borrow $60 million in FY 2007 for the Schools Modernization Fund by issuing G.O. bonds. This fund received $150 million of budget authority in the FY 2006 budget. Because D.C. Public Schools is revising its Master Facilities Plan, which is due to be released in spring 2006, DCPS has not started spending against this authority, and the District has not yet borrowed any of the funds. In FY 2007, borrowing is anticipated to be $60 million, with the remainder of the borrowing to occur in later years as DCPS finalizes its plans for these funds.

Government Center Buildings: The Mayor proposes to borrow $200 million for two Government Center buildings, the Anacostia Gateway Building and the Minnesota/Benning Center. These centers will house the District's Departments of Transportation, Employment Services, and Human Services. In the FY 2006 budget, the District received $200 million of budget authority to complete these projects by issuing Certificates of Participation (COPs). Rather than issue COPs, the Mayor proposes to finance these projects using more cost-effective G.O. bonds. During FY 2006, the District reprogrammed $18.2 million of the $200 million of budget authority to enable it to purchase a building at 95 M St. SW for the Department of Motor Vehicles (DMV). In FY 2007, the Mayor is requesting an additional $18.2 million of budget authority to restore the Government Centers total to $200 million.

Great Streets: The Mayor proposes to borrow $64 million in FY 2007 for the Great Streets initiative. In the FY 2006 budget, the District received $88 million of

Figure CA-3

Number of Capital-Funded FTE Positions From FY 1993 to FY 2006 (Proposed)



budget authority to complete this project through a securitization of revenues from a new bus shelter contract. Rather than securitizing these revenues, the Mayor proposes to finance this project using more cost-effective G.O. bonds. Revenues from the bus shelter contract will be dedicated to pay the debt service on this additional G.O. debt. The current plan is to use a lump sum payment of $24 million that the District receives in the first year of the contract and to borrow $64 million against the revenue stream for FY 2007 and beyond.

New Communities: The Mayor proposes to issue $75 million of revenue bonds in FY 2006 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 will be transferred from the Housing Production Trust Fund (HPTF), which is funded by dedicated revenue (from deed recordation and deed transfer taxes). The District received $60 million of budget authority in the FY 2006 budget for this project through securitization of the HPTF revenues, but the securitization has not yet taken place. The Mayor is requesting an additional $15 million of budget authority in FY 2007 to bring the total to $75 million, the amount estimated to be financed by $6 million of transfers annually from the HPTF for debt service. Use of $6 million of HPTF revenue annually for debt service is currently authorized, and this is the anticipated debt service level for FY 2007. Depending on the timing of the project, the Mayor will seek authority to use another $6 million annually, which will allow a total of $12 million to be paid starting in FY 2008.

Baseball Stadium: The District received $534.8 million of budget authority in the FY 2006 budget to build the baseball stadium, and in an FY 2005 supplemental appropriation, it also received $33.0 million of authority to spend revenues collected that year. Thus, total current budget authority for the project is $567.8 million. The total cost is now projected to be $630.8 million (of which the District will contribute $610.8 million and Major League Baseball will contribute $20.0 million.) The Mayor is requesting $63.0 million of budget authority in FY 2007, to bring the total project budget authority to $630.8 million. See the Special Study chapter on Baseball in the District of Columbia for more information on the project and its financing.

New Mental Health Hospital: The District is borrowing $200 million in FY 2006 for a new mental health hospital by issuing COPs. The issuance is combined with the COPs for the DMV building, as described earlier. Authority for this $200 million was provided by Congress in the FY 2006 appropriation. It does not appear in the FY 2006 capital budget book, but Congress added to the requested capital appropriation amount when it passed the District's budget.

National Capital Medical Center: The Mayor proposes to use revenues from the District's settlement with major tobacco companies to back debt service on borrowing in FY 2006 for the National Capital Medical Center. This new hospital would be built by the District and Howard University and operated by Howard.

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

- Rights-of-way funds, for Local Street Maintenance Fund projects;
- Parking tax revenue (50 percent), for Local Street Maintenance Fund projects;
- Federal Highway Administration grants, for Highway Trust Fund projects; and
- Dedicated motor fuel tax revenues, for Highway Trust Fund projects (provides the local match for the Federal Highway Administration grants).

Projects in the Local Street Maintenance Fund and the Highway Trust Fund are detailed in a separate Highway Trust Fund budget document that will be published with the budget that is transmitted to Congress in June 2006.

Future Projects

Borrowing for the following projects is planned for FY 2008 or later years:

East Washington traffic initiative: In the FY 2006 budget, the District received $230 million of budget authority for this project, the major components of which are the rebuilding of the 11th Street and Sousa (Pennsylvania Avenue) bridges. Parking tax revenue (50 percent of the revenue) supports this project, and federal funds are also anticipated to support this project. A large borrowing is anticipated in FY 2008, with debt service to be paid by the parking tax revenue stream.

Consolidated Laboratory Facility: The District is building a new consolidated laboratory that will be used by the Metropolitan Police Department, the Department of Health, and the Office of the Chief Medical Examiner. Both the District and the federal government have begun financing this project, and planning is well under way. In FY 2008, the Mayor pro-

Table CA-6
Proposed Borrowing, FY 2007 Through FY 2009
(Dollars in thousands)

Source	FY 2007	FY 2008	FY 2009
G.O. bonds, general, including deficit reduction	450,000	461,424	461,638
G.O. bonds for Schools Modernization	60,000	90,000	0
G.O. bonds for Government Center buildings	200,000	0	0
G.O. bonds for Great Streets (debt service backed by bus shelter revenue)	64,000	0	0
G.O. bonds for East Washington traffic initiative (debt service backed by parking tax revenue)	0	230,000	0
G.O. bonds for Consolidated Laboratory Facility (1)	0	75,000	75,000
New Central Library (debt service backed by funds from lease or sale)	0	TBD	TBD

(1) $5 million of FY 2007 borrowing for Consolidated Laboratory Facility is included in G.O. bond total on first row.

General notes:
All amounts and methods of borrowing are subject to change depending on status of projects and market conditions.
Borrowing for 95 M St. SW, baseball stadium, new mental health hospital, New Communities, and National Capital Medical Center to take place during FY 2006.

poses undertaking a large G.O. bond issuance for this project, and the District will also seek additional federal funding.

New Central Library: The Mayor proposes a new central library to be built on the site of the old convention center. The proposal is to borrow using tax increment financing and a bond backed by a payment-in-lieu of taxes, and also to use revenues from a long-term lease payment for the site of the current central library.

Table CA-6 shows expected borrowing amounts for FYs 2007 through 2009 for these projects.

Shortfall in the General Capital Improvements Fund

For the past five fiscal years, the District's Comprehensive Annual Financial Report (CAFR) has shown a shortfall in the General Capital Improvements fund (the "capital fund") (see table CA-7). The shortfall was about $246 million at the end of FY 2005. This means that capital expenditures have exceeded financing sources by that amount on a cumulative basis, and the District's General Fund has advanced funds to the capital fund to cover the expenditures.

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. At the same time, agencies were pushed to begin spending budgeted capital dollars. The General Fund paid for capital expenditures up front and was reimbursed after bonds were issued. While these policies have had the beneficial effect of lowering debt service costs in the operating budget, the shortfall must be kept within limits, or the General Fund may encounter cash flow problems.

The capital fund commingles a wide variety of expenditures and financing sources. All District capital expenditures other than those in the local Highway Trust Fund and the Ballpark Revenue Fund (for the baseball stadium) are recorded in the capital fund. Financing sources for the capital fund are primarily G.O. bonds but also include other types of borrowings, federal grants, and other sources. The District is taking steps to isolate the G.O. bond financed portion of the capital fund from the other funding sources, to determine the portion of the fund's shortfall that is attributable to G.O. bond financed projects.

To manage and reduce the fund's shortfall, the District is taking several steps:

- In FY 2006, $54 million was appropriated to transfer resources from the General Fund to the capital fund, to directly reduce the shortfall.
- In addition, the District will manage capital expenditures so that they remain below financing sources in each year. This can be difficult, because while agencies receive new spendable budgets (allotments) each year, they may also spend against prior-year allotments that have not yet been exhausted. Thus, agencies must manage against a spending target that is usually lower than the budget authortity that they currently have.

Table CA-7
Fund Balance in the General Capital Improvements Fund, FY 1998-FY 2005
(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)

- Finally, the Mayor's proposed FY 2007-2012 capital budget proposes borrowing $450 million but applying only $400 milion to new capital expenditures, so that $50 million can be used for deficit reduction.

For this reason, while financing sources in FY 2007 total $656 million, the District's proposed capital budget includes new allotments of only $507 million. This will allow $149 million of expenditures against unspent prior-year allotments. The Mayor, the Council, and the Chief Financial Officer will continue to work to reduce the shortfall in the capital fund over the next four years.

Outline of this Capital Budget Document

The remainder of this overview chapter includes the District's policies on capital budget and debt and a summary of the capital program of the Water and Sewer Authority. The following sections then make up the rest of this capital budget document. Projects in all of these sections are grouped by the owner (rather than the implementing) agency,[1] except where noted.

- *Project Description Forms (PDFs):* Provide details on capital projects funded by G.O. bonds, Paygo capital, and Master Equipment Lease arrangements. They do not include details on the special one-time G.O. bond borrowings or the revenue bonds or COPs that have been described above. The expenditure schedules shown in these pages display the planned allotments (1-year spending authority) by year for FYs 2007 through 2012. Ongoing projects with no new allotments scheduled are not included in these pages.
- *Appendix A, FY 2007 Appropriated Budget Authority Request:* Summarizes the new budget authority the District proposes. Budget authority is established as the budget for a project's lifetime, so these requests are only for new projects or for increases in lifetime budgets for ongoing projects. Because budget authority is given to the implementing agency, projects are grouped by implementing agency in this appendix.
- *Appendix B, FY 2007-FY 2012 Planned Expenditures From New Allotments:* Shows new allotments for ongoing and new projects for all six years of the CIP.
- *Appendix C, FY 2007-FY 2012 Planned Funding Sources:* Shows the source of financing for the projects displayed in appendix B.
- *Appendix D, Balance of Capital Budget Authority, All Projects:* Shows expenditures, obligations, and remaining budget authority for all ongoing capital projects. Because this report comes from budgets in the financial system, projects are grouped by implementing rather than owner agency.

[1] A capital project has both an owner and an implementing agency. The implementing agency performs the work on the project, while the owner agency eventually benefits from the completed project. Although many District agencies implement their own capital projects, several central agencies, such as the Office of Property Management and the Office of the Chief Technology Officer, implement projects on behalf of many other agencies.

District of Columbia Policies and Procedures: Capital Budget and Debt

The District of Columbia's Capital Improvements Program (the "Capital Program") comprises the finance, acquisition, development, and implementation of permanent improvement projects for the District's fixed assets. Such assets generally have a useful life of more than three years and cost more than $250,000.

The text of the CIP is an important planning and management resource. It analyzes the relationship of projects in the capital budget to other developments in the District. It also describes the programmatic goals of the various District agencies and how those goals impact the need for new, rehabilitated, or modernized facilities. Finally, it details the financial impact and requirements of the all the District's capital expenditures.

The CIP is flexible, allowing project expenditure plans to be amended from one year to the next to reflect actual expenditures and revised expenditure plans. However, consistent with rigorous strategic planning, substantial changes in the program are discouraged. The CIP is updated each year by adding a planning year, reflecting any necessary changes in projected expenditure schedules, proposed projects and District priorities.

The District's legal authority to initiate capital improvements began in 1790 when Congress enacted a law establishing the District of Columbia as the permanent seat of the federal government and authorized the design of the District and appropriate local facilities. The initial roads, bridges, sewers and water systems in the District were installed to serve the needs of the federal government and were designed, paid for, and built by Congress. During the 1800s, the population and private economy of the federal District expanded sharply, and the local territorial government undertook a vigorous campaign to meet new demands for basic transportation, water, and sewer systems.

From 1874 to 1968, commissioners appointed by the President and confirmed by Congress managed the District. One commissioner, from the Corps of Engineers, was responsible for coordinating the maintenance and construction of all local public works, in accordance with annual budgets approved by the President and the Congress.

Legislation passed in the 1950s gave the District broader powers to incur debt and borrow from the United States Treasury. However, this authority was principally used for bridges, freeways, and water and sewer improvements. In 1967, the need for significant improvements in District public facilities was acknowledged. This awareness led to the adoption of a $1.5 billion capital improvement program to build new schools, libraries, recreation facilities, and police and fire stations.

A 1984 amendment to the Home Rule Act gave the District the authority to sell general obligation bonds to finance improvements to its physical infrastructure. The District has more than $3.5 billion of general obligation bonds outstanding, which were issued to finance capital infrastructure improvements.

In September 1997, the President signed the National Capital Revitalization Act (the "Revitalization Act"). The act relieved the District of its operations at Lorton Correctional Facility. It also transferred responsibility for funding the maintenance and operation of the D.C. Courts system to the Office of Management and Budget (OMB). The District will therefore not incur the significant capital expenditures required at these facilities. In return, the District will no longer receive a federal payment in lieu of taxes for these functions.

In addition, the Revitalization Act raised the allowable percent of annual debt service payable from 14 percent to 17 percent of anticipated revenues to compensate the District for the loss of the federal payment and broadened the District's debt financing authority. The primary impact of this aspect of the Revitalization Act was to increase the District's flexibility to finance capital requirements.

Legal Authority and Statutory Basis

The legal authority for the District's Capital Program comes from the District of Columbia Home Rule Act, P.L. 93-198, §444, 87 Stat. 800. The Mayor is directed to prepare a multi-year Capital Improvements Plan (CIP) for the District. This plan shall be based upon the approved current fiscal year budget. It shall include the status, estimated period of usefulness, and total cost of each capital project on a full funding basis for which any appropriation is requested or any expenditure will be made in the forthcoming fiscal year and at least four fiscal years thereafter.

Along with this statutory requirement, Mayor's Order 84-87 supplements the legal authority and assigns additional responsibility for the District's Capital Program. This Order creates within the Office of Budget and Planning a Capital Program coordinating office to provide central oversight, direction, and coordination of the District's capital improvements program, planning, budgeting, and monitoring. The administrative order requires the Office of Budget and Planning to develop a CIP that identifies the current fiscal year budget and includes status, estimated period of usefulness, and total cost of each capital project on a fully funded

Table CA-8
Debt Ratios

Debt Measures	District of Columbia	Baltimore MD	Boston MA	Chicago IL	Memphis TN	New York NY	San Antonio TX
Net Overall Debt to Full Value	4.2%	2.5%	1.2%	1.9%	2.8%	8.7%	1.8%
Net Overall Debt per Capita	$6,598	$822	$1,469	$1,766	$1,556	$5,785	$634
Debt Service as % of General Fund Expenditures	7.8%	7.4%	6.1%	14.2%	18.5%	8.4%	23.7%

Sources: Most recently published CAFRs (FY 2005 CAFRs for DC, Baltimore, Boston, Memphis, and New York; FY 2004 CAFRs for Chicago and San Antonio).

Table CA-9
Summary of Rating Agency Credit Ratings for Long-Term Debt

Investment Attributes	Fitch	Moody's	Standard & Poor's
Highest Quality	AAA	Aaa	AAA
High Quality	AA	Aa	AA
Favorable Attributes	A	A	A
Medium Quality/Adequate	BBB	Baa	BBB
Speculative Elements	BB	Ba	BB
Predominantly Speculative	B	B	B
Poor Standing	CCC	Caa	CCC
Highly Speculative	CC	Ca	CC
Lowest Rating	C	C	C

Source: Public Finance Criteria for Fitch, Moody's, and Standard &Poor's.

Table CA-10
Rating Agency Credit Ratings for Long-Term Debt, Various Cities

Municipalities	Fitch Ratings	Moody's	Standard & Poor's
District of Columbia	A	A2	A+
Baltimore	A+	A1	A+
New York	A+	A1	A+
Philadelphia	BBB+	Baa1	BBB
Detroit	BBB	Baa2	BBB
San Antonio	AA+	Aa2	AA+
Chicago	AA	Aa3	AA-

Source: Public Finance Criteria for Fitch, Moody's, and Standard& Poor's.

basis for which any appropriation is requested or any expenditure will be made over the next six years. The CIP includes:

- An analysis of the CIP, including its relationship to other programs, proposals, or other governmental initiatives.
- An analysis of each capital project, and an explanation of a project's total cost variance of greater than five percent.
- Identification of the years and amounts in which bonds would have to be issued, loans made, and costs actually incurred on each capital project. Projects are identified by applicable maps, graphics, or other media.

Why A Capital Improvements Program?

A Capital Improvements Program that coordinates planning, financing and infrastructure and facilities improvements is essential to meet the needs of a jurisdiction uniquely situated as the Nation's Capital. As mentioned previously, capital improvements are those that, because of expected long-term useful lives and high costs, require large amounts of capital funding. These funds are spent over a multi-year period and result in a fixed asset.

The primary funding source for capital projects is tax-exempt bonds. These bonds are issued as general obligations of the District. Debt service on these bonds (the repayment of principal and the payment of interest over the lifetime of the bonds) becomes expenditures in the annual operating budget.

The Home Rule Act sets certain limits on the total amount of debt that can be incurred. Maximum annual debt service cannot exceed 17 percent of general fund revenues to maintain fiscal stability and good credit ratings. As a result, it is critical that the CIP balance funding and expenditures over the six-year period to minimize the fiscal impact on the annual operating budget.

Principles of the Capital Program

Several budgetary and programmatic principles are invested in the CIP. These are:

- To build facilities supporting the District stakeholders' objectives.
- To support the physical development objectives incorporated in approved plans, especially the Comprehensive Plan.
- To assure the availability of public improvements.
- To provide site opportunities to accommodate and attract private development consistent with approved development objectives.
- To improve financial planning by comparing needs with resources, estimating future bond issues plus debt service and other current revenue needs, thus identifying future operating budget and tax rate implications.
- To establish priorities among projects so that limited resources are used to the best advantage.
- To identify, as accurately as possible, the impact of public facility decisions on future operating budgets, in terms of energy use, maintenance costs, and staffing requirements among others.
- To provide a concise, central source of information on all planned rehabilitation of public facilities for citizens, agencies, and other stakeholders in the District.
- To provide a basis for effective public participation in decisions related to public facilities and other physical improvements.

It is the responsibility of the Capital Program to ensure that these principles are followed.

Program Policies

The overall goal of the Capital Program is to preserve the District's capital infrastructure. Pursuant to this goal, projects included in the FY 2007 to FY 2012 CIP and FY 2007 Capital Budget support the following programmatic policies:

- Provide for the health, safety and welfare needs of District residents.
- Provide and continually improve public educational facilities for District residents.
- Provide adequate improvement of public facilities.
- Continually improve the District's public transportation system.
- Support District economic and revitalization efforts generally and in targeted neighborhoods.
- Provide infrastructure and other public improvements that retain and expand business and industry.
- Increase employment opportunities for District residents.
- Promote mutual regional cooperation on area-wide issues, such as the Washington Area Metropolitan Transit Authority, Water and Sewer Authority, and solid-waste removal.
- Provide and continually improve public housing and shelters for the homeless.