
Financial Plan

The District of Columbia's financial management practices have contributed to a dramatically improved fiscal landscape during the last five years. Maintaining this success is an explicit goal of the city's elected and appointed leaders and, though the FY 2003 multi-year financial plan presents a long-term balance between revenues and expenditures, city leaders must address the following impending challenges:

- **Structural imbalance.** This is the difference in the long-term between the District's expenditures and its revenues. As a government entity with city, state and county characteristics and a unique fiscal relationship with the federal government, the District has an incomparable financial structure among jurisdictions nationwide. Limitations on the District's revenue base exempt particular economic activity from taxation. For example, the District can tax just 34 percent of income earned within its borders and 53 percent of District property value cannot be taxed because of federal and other exemptions. With these limitations, the District provides unreimbursed municipal services to the federal government as well as extensive state-like services that cities typically provide with state funds.
- **Bond ratings.** In FY 2001, for the second time in two years, the three major rating agencies increased the District's general obligation bond ratings. An improved bond rating provides tangible benefits to the District, enabling the District to issue new bonds at lower interest rates and to refinance outstanding bonds at those lower rates. An improved bond rating also provides intangible benefits to the District by engendering trust and confidence in the city as a place for businesses and individuals to invest. It is an explicit goal of the District to pursue financial management practices that will lead to bond rating enhancements.
- **Maintaining cash reserves.** By the end of FY 2002 – five years ahead of schedule – the District will have accumulated cash reserves in excess of \$250 million and exceed the federally mandated target of seven percent of local fund expenditures. This onerous cash

reserve requirement, which exceeds national benchmarks and rating agency standards, does provide a safeguard for emergency needs. However, because any funds expended from the reserve in one year must be replenished in the following fiscal year, it would be imprudent for the District to use these cash reserves for operating budget expenses, a strategy that would increase operating pressures in the following fiscal year.

- **Addressing accumulated service needs.** In recent years, mid-year fiscal pressures have required drastic action by District leaders including the reallocation of resources from one program to another or funding agency deficits with general fund resources. These fiscal pressures are often the result of historical under-funding. The District is acting decisively to adequately fund the agency programs and plans to use the proceeds from the debt restructuring associated with tobacco funds to address service needs once the District has fulfilled its emergency and contingency cash reserve requirements.
- **Control period triggers.** September 2001 marked the end of the District's federal control period. To retain Home Rule, the District must make all payroll, pension, benefits, and interstate compact payments; must not borrow funds from the United States Treasury; and must not default on any loans, bonds, or notes. In addition, the District must maintain a cash surplus large enough to cover any gap between estimated revenues and estimated expenditures for the remainder of the fiscal year plus the first six months of the succeeding fiscal year.

Understanding the Financial Plan

The Financial Plan provides extensive, relevant financial information targeted to District needs. To provide this targeted outlook, the Financial Plan contains pertinent elements of three financial statements:

- Statement of Budgetary Revenues and Expenditures, with Generally Accepted Accounting Principles (GAAP) Reconciliation
- Statement of Changes in Fund Balance

- Statement of Cash Flow.

The District uses the multi-year financial plan as a working tool throughout the fiscal year to monitor the impact of legislative proposals, programmatic initiatives, and economic changes on the District's near-term fiscal outlook. The District formally issues the plan with the Council budget submission in March and the congressional submission in June. The plan addresses only the District's general fund. For information on the District's other funds, see the Fund Structure appendix of the budget.

Of special note, the FY 2003 Proposed Budget and Financial Plan includes the following items:

- **Revenue projections:** The impact of the national recession, the September 11 terrorist attack, and other special factors that affect the timing and amount of D.C. revenues all contribute to a constrained revenue picture in the coming years. Current estimates show average annual tax revenue growth of 3.1 percent from the FY 2001 to FY 2006. Local general fund revenue is estimated to grow by an average of 2.4 percent per year over the same period. Revenue projections are described in detail in the Revenue chapter.
- **Expenditure projections:** Expenditures are projected to grow more slowly than they have in recent years. Education and health care costs have led the recent growth in expenditures, and health care, especially Medicaid, is expected to continue to be an important cost driver in the near future. On the other hand, the District has benefited from reduced debt service costs, in part for securitization of future tobacco settlement payments that has allowed the District to restructure its debt. Expenditure projections are described in detail in the Operating Expenditures chapter.
- **Reserve changes: Budgeted Reserve and cash set aside:** As the District accumulates cash reserves, the District is phasing out its Budgeted Reserve. This reserve, previously totaling \$150 million annually through FY 2004, will total \$120 million in FY 2002 and \$70 million in FY 2003. In FY 2004 and

beyond, the District will replace the budgeted reserve with a cash set aside to fulfill the needs that the budgeted reserve previously filled. The District will replace any funds used in one fiscal year in the following fiscal year.

- **Filling the Emergency and Contingency Reserves:** Since Congress established the requirement that the District fund two cash reserves totaling seven percent of locally funded expenditures in FY 2001, the District has taken an aggressive approach to funding these reserves. The District used the initial funding mechanism, which was one percent

of locally funded expenditures each year for seven years, and added proceeds from refinancing the tobacco receipts and funds previously earmarked for prepaying debt. Because of this aggressive schedule, the District will fully fund these reserves by the end of fiscal year 2002, five years ahead of the initial target date. Table 3-1 provides an overview of reserve targets and totals for all District cash reserves, as well as the District's strategy for filling the emergency and contingency reserves.

Table 3-1
Reserve Summary
(\$ in millions)

	FY01 Actual		FY02 Adjusted		FY03 Proposed		FY04 Proposed		FY05 Proposed		FY06 Proposed	
	Total	Target	Total	Target	Total	Target	Total	Target	Total	Target	Total	Target
Budgeted Reserve	150.0		120.0		70.0		0.0		0.0		0.0	
Cash Reserves												
Emergency and Contingency Cash Reserves ¹	100.9	227.6	256.6	248.7	264.9	264.9	269.8	269.8	277.3	277.3	286.3	286.3
Emergency Reserve (4%)	100.9	130.0	150.0	142.1	151.4	151.4	154.2	154.2	158.4	158.4	163.6	163.6
Cash Reserve (3%)	0.0	97.6	106.6	106.6	113.5	113.5	115.6	115.6	118.8	118.8	122.7	122.7
Cash Set-aside	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0	50.0	50.0	50.0	50.0
Tobacco Trust Fund (Investment Funds)	0.0	n/a	0.0	n/a	10.0	n/a	19.4	n/a	52.8	n/a	83.6	n/a
Total Cash Reserves	100.9	227.6	256.6	248.7	274.9	264.9	339.2	319.8	380.0	327.3	419.8	336.3

Filling the Emergency and Contingency Reserves

	FY01 Actual	FY02 Adjusted	FY03 Proposed	FY04 Proposed	FY05 Proposed	FY06 Proposed
1% Requirement ²	33.0	35.5	0.0	0.0	0.0	0.0
Tobacco Savings	69.4	33.3	0.0	0.0	0.0	0.0
Debt Relief ³	0.0	87.0	0.0	0.0	0.0	0.0
Adjustments to Total ⁴	(1.6)	0.0	0.0	0.0	0.0	0.0
Emergency and Contingency Cash Reserves ¹	100.9	256.6	264.9	269.8	277.3	286.3

¹ In FY03 and beyond table assumes that interest earned will keep pace with any increases in the 7% target resulting from increases in the operating budget.

² Upon satisfying the 7% target, the 1% cash contribution is no longer necessary.

³ These funds had been dedicated to reducing District debt; they will now be used to fill cash reserves.

⁴ Adjustment includes the withdrawal of \$3.0 million for FY 2001 emergency flood expenditures and an additional \$1.4 million from accumulated interest.

Note: Numbers may not add up to totals due to rounding.

Reading the Financial Plan

The remainder of this section addresses the components of this year's multi-year financial plan. For explanatory purposes, the plan is broken down into four sections: revenues, expenditures, GAAP adjustments and transfers, and the fund balance and its composition. The entire plan, along with a summarized version of these four sections, is appended.

1. Taxes. Includes property, sales, income, and other taxes, which are projected by the Office of Research and Analysis. Beginning in FY 2000, revenues reflect a five-year series of tax rate reductions that were implemented in FY 2000. See the Revenue chapter for further details.

2. Non-tax revenues. Includes revenue from licenses and permits, parking and traffic fines, charges for services, interest income, tobacco settlement residuals, and other revenue sources. See the Revenue chapter for further details.

3. Federal Payment/Contribution (Federal Support for Special Projects). Reflects the funding contributed by the federal government for specific projects. Payments provided by the federal government for specific projects or initiatives are accounted for as local funds because they are

funds transferred to the District for program execution, unlike federal grants, which are programs executed by the federal government. The FY 2003 amount is based on the President's budget request to Congress.

4. Lottery. Reflects the portion of D.C. Lottery and Charitable Games Board revenue that is transferred to the District's general fund.

5. FY 2001 General Obligation Bonds (Refinancing). In FY 2001, the District took advantage of its improved bond rating to refinance outstanding general obligation bonds at more favorable rates. This line item represents the revenue impact of this refinancing. The expenditure impact is within line 20, Financing and Other.

6. Local Fund Revenues.

7. Grants. Federal grant awards anticipated by District agencies. This amount reflects anticipated federal grant receipts.

8. Private/Other Revenues. Includes revenues from gifts, private grants, and charges and fees that are dedicated to, and collected and spent by, the collecting agency. This pool is distinct from the Non-Tax Revenue category above, which is

Table 3-2
FY 2003 - FY 2006 Proposed Budget and Financial Plan
Revenues, Gross Funds
 (\$ in Thousands)

Revenues	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
1 Taxes	3,209,273	3,243,555	3,191,719	3,318,842	3,394,170	3,586,890	3,744,446
2 Non-Tax Revenues	315,973	225,334	229,011	229,330	235,338	245,022	244,843
3 Federal Payment	43,295	38,193	194,093	33,000	0	0	0
4 Lottery	86,858	70,000	70,000	72,900	73,800	74,600	74,600
5 FY 2001 General Obligation Bonds (Refinancing)	568,776	0	0	0	0	0	0
6 Local Fund Revenues	4,224,175	3,577,082	3,684,823	3,654,072	3,703,308	3,906,512	4,063,889
7 Grants	1,307,991	1,543,041	1,543,041	1,712,498	1,810,078	1,910,436	2,015,393
8 Private/Other Revenues	288,169	194,510	194,510	209,414	215,641	222,481	229,555
9 Non-Local Revenues	1,596,160	1,737,551	1,737,551	1,921,912	2,025,719	2,132,917	2,244,948
10 Revenue Initiatives	0	0	27,000	130,159	160,133	88,090	27,609
11 Carry forward from prior year	147,714	45,500	45,500	8,485	0	0	0
12 Total Revenues with Initiatives	5,968,049	5,360,133	5,494,874	5,714,628	5,889,160	6,127,519	6,336,446

part of the general pool of discretionary local revenue.

9. Non-Local Funds.

10. Revenue Initiatives. Reflects policy changes to delay tax parity for personal income, a modification to the housing production act, parking fine increases, franchise tax decoupling, a 25 percent cap for cooperatives and other changes.

11. Carry forward from prior year. The District's FY 2002 Appropriations Act allows the District to carry forward the unspent portion of the FY 2001 Budgeted Reserve for uses in FY 2002. Of the \$150 million Budgeted Reserve in FY 2001, the District allocated \$104 million for costs related to the Public Benefit Corporation leaving \$46 million to be carried forward for expenditures in FY 2002. In FY 2003 \$8.5 million in carry forward is for legislated spending of Other revenues. This line also includes funds being transferred from the General Fund to the Highway Trust Fund.

12. Total Revenues with Initiatives.

13 - 19. Agency Expenditures. These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter. In FY 2003, expenditures in the Receivership appropriation title have been transferred to the Human Support Services appropriation title because the programs associated with these funds are no longer in receivership. Additionally, Settlements and Judgments has been transferred from the Governmental Direction and Support to the Financing and Other appropriation title.

20. Financing and Other. Includes Repayment of Debt, Short-Term Borrowings, Certificates of Participation, the Wilson Building Payment and Settlements and Judgments. Also, new in FY 2002, Congress provided a Federal Payment/Contribution for Emergency Planning and Security needs and created an appropriation title for the distribution of these funds. These

Table 3-3

FY 2003 - FY 2006 Proposed Budget and Financial Plan

General Fund Expenditures by Function, Gross Funds

(\$ in Thousands)

Expenditures (by Appropriation Title)	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
13 Governmental Direction and Support	216,896	286,138	358,707	280,136	289,799	299,934	310,453
14 Economic Development and Regulation	189,155	230,878	231,910	258,539	266,334	274,565	280,041
15 Public Safety and Justice	800,819	633,853	700,460	639,892	655,330	678,608	700,791
16 Public Education System	1,077,782	1,108,665	1,201,028	1,200,201	1,195,336	1,221,320	1,246,214
17 Human Support Services	1,743,190	1,803,923	1,843,193	2,496,297	2,600,110	2,699,205	2,832,794
18 Public Works	298,453	300,151	326,773	324,828	337,777	351,836	366,521
19 Receiverships	475,457	403,868	406,829	0	0	0	0
20 Financing and Other	910,681	361,314	343,791	434,452	451,687	486,449	521,112
21 Budgeted Reserve	0	120,000	33,000	70,000	0	0	0
22 Reserve Relief - Programs	0	30,000	0	0	0	0	0
23 TIF Expenditures	0	0	0	0	15,000	15,000	15,000
24 Set Aside for Cash Reserve	0	0	0	0	50,000	0	0
25 Tobacco Trust Fund (Program Funds)	0	0	0	0	9,395	33,375	30,796
26 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	9,395	33,375	30,796
27 Tobacco Funds Transfer to Cash	0	33,254	33,254	0	0	0	0
28 Total Expenditures	5,712,433	5,312,044	5,478,945	5,714,345	5,880,163	6,093,667	6,334,518
29 Operating Margin, Budget Basis	255,616	48,089	15,929	283	8,997	33,852	1,928

funds will be distributed to the appropriate agencies for expenditure.

21. Budgeted Reserve. The Budgeted Reserve is a fiscal safeguard mandated by Congress. This reserve is being phased out as the District builds its cash reserves. In FY 2002 this reserve falls to \$120 million and in FY 2003 it falls to \$70 million before being completely phased out in FY 2004.

22. Reserve Relief - Programs. When Congress authorized the District to reduce its Budgeted Reserve from \$150 million to \$120 million in FY 2002, the District was granted authority to spend the \$30 million difference.

23. TIF (Tax Increment Financing) Expenditures. Starting in FY 2004, the District will budget expenditures within the TIF program. The District will budget the lesser of \$15 million, debt service on the Gallery Place and Mandarin Oriental TIF bonds, or the real property and sales tax increment from the downtown TIF area.

24. Set Aside for Cash Reserve. Beginning in FY 2004 the District is required to set aside cash of \$50 million to provide a cushion in the absence of the budgeted reserve.

25. – 26. Tobacco Settlement Trust Fund. These two line items reflect the operating budget relief that the District achieved from the defeasance (or prepayment) of bonds with proceeds from securitized tobacco settlement funds plus the expected residuals after accounting for debt service on the tobacco bonds. After the cash reserves have been filled, these funds are dedicated to the Tobacco Settlement Trust Fund. Half of the funds from the tobacco trust fund are to be dedicated to programs and half are to be invested for a future use.

27. Tobacco Funds Transfer to Cash. The District is required to deposit tobacco securitization savings into the Emergency Cash Reserve in FY 2002.

28. Total Expenditures.

29. Operating Margin, Budget Basis. This line provides the difference between Total Revenues with Initiatives and Total Expenditures.

30. Projected GAAP Adjustments (Net). GAAP adjustments are expenses that do not require the use of currently available resources. As a result, GAAP adjustments are expenses not charged to the current year operating budget because of the substantial time lag, generally of one or more fis-

Table 3-4

FY 2003 - FY 2006 Proposed Budget and Financial Plan

GAAP Adjustments and Transfers, Gross Funds

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
30 Projected GAAP Adjustments (Net)	(177,996)	(50,000)	(50,000)	(20,000)	(20,000)	(20,000)	(20,000)
31 Unspent Reserve (Budgeted)	0	70,000	33,000	20,000	0	0	0
32 1% Cash Transfer (From Unrest. Fund Balance)	(33,000)	(35,533)	(35,533)	0	0	0	0
32a 1% Cash Transfer (to Cash Reserves)	33,000	35,533	35,533	0	0	0	0
33 FY 2000 Carryover Adj. (From Unrest. Fund Balance)	0	(122,480)	(86,954)	0	0	0	0
33a FY 2000 Carryover Adj. (to Cash Reserves)	0	122,480	86,954	0	0	0	0
34 Set Aside for Cash Reserve (to Cash Reserves)	0	0	0	0	50,000	0	0
35 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	9,395	33,375	30,796
36 Tobacco Funds Transfer to Cash	0	33,254	33,254	0	0	0	0
37 Net Operating Margin - GAAP Basis	77,620	101,343	32,183	10,283	48,392	47,227	12,724

cal years, between when a cost is identified and when it is ultimately paid. Litigation and disallowed costs for federal grants are examples of incurred expenses that may require payment for several fiscal years.

31. Unspent Reserve (Budgeted). Reflects the projected portion of the budgeted reserve that will not be expended during the fiscal year.

32. – 32a. 1% Cash Transfer. Reflects the required transfer of one percent of local fund expenditures to the emergency and contingency cash reserves. This is not an appropriated expenditure, so it remains below the bottom line. Because this is a transfer between fund balance items, this transfer does not alter the operating margin.

33. – 33a. FY 2000 Carry Over Adjusted. Reflects the required transfer of FY 2000 unrestricted fund balance to the cash reserves. These funds were previously earmarked for reducing District debt, but this requirement was altered by the FY 2002 Appropriations Act.

34. Set Aside for Cash Reserve. The District will establish an additional \$50 million cash reserve in FY 2004 to provide budgetary stability as a

replacement for the phased out budgeted reserve. This value is added back to the operating margin because the associated funds remain within the District's General Fund balance.

35. Tobacco Settlement Trust Fund (Investment Funds). Reflects the value in Line 26. This value is added back to the operating margin because the associated funds remain in the District's fund balance.

36. Tobacco Funds Transfer to Cash. Reflects the value in line 27. This value is added back to the operating margin because the associated funds remain in the District's General Fund balance.

37. Operating Margin, GAAP. Reflects the Operating Margin, Budget Basis plus Total GAAP Adjustments and Transfers.

38. Beginning General Fund Balance. Shows the accumulated fund balance for the general fund at the beginning of the fiscal year, which is identical to the end of year fund balance for the previous fiscal year.

Table 3-5
FY 2003 - FY 2006 Proposed Budget and Financial Plan

Fund Balance and Composition of Fund Balance
(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
38 Beginning General Fund balance	484,625	562,245	562,245	548,928	550,726	599,118	646,345
39 Surplus/(Deficit)	77,620	101,343	32,183	10,283	48,392	47,227	12,724
40 Adjustments to General Fund Balance	0	(45,500)	(45,500)	(8,485)	0	0	0
41 Adjusted Ending General Fund Balance	562,245	618,088	548,928	550,726	599,118	646,345	659,069
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	264,876	269,811	277,253	286,270
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	292,125	256,599	264,876	269,811	277,253	286,270
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	151,358	154,178	158,430	163,583
45 Contingency Cash Reserve Balance (3%)	0	142,125	106,599	113,518	115,633	118,823	122,687
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	19,395	52,770	83,566
48 Cash Reserve Total	100,858	292,125	256,599	274,876	339,206	380,023	419,836
49 Fund Balance not in Reserve	461,387	325,963	292,329	275,850	259,912	266,322	239,233

39. Surplus/(Deficit). Restatement of Line 37.

40. Adjustments to General Fund Balance. Represents adjustments to prior year fund balance for items carried forward from one fiscal year to the next.

41. Adjusted Ending General Fund Balance. Shows a summation of the beginning of the year fund balance, the annual surplus, and adjustments to the fund balance.

42. Emergency and Contingency Cash Reserve Target (7%). The District is required to establish a 4 percent Emergency Reserve Fund and a 3 percent Contingency Reserve Fund totaling 7 percent of proposed local expenditures. This line reflects the 7 percent target.

43. Emergency and Contingency Cash Reserve Total (7%). Displays the sum of lines 44 and 45. See table 3-1 for additional details.

44. Emergency Cash Reserve Balance (4%). This fund is required to equal 4 percent of the District's local expenditures. The District plans to fill this reserve in FY 2002.

45. Contingency Cash Reserve Balance (3%). This fund is required to equal 3 percent of the

District's local expenditures. The District plans to fill this reserve in FY 2002.

46. Set Aside for Cash Reserve. This fund will replace the budgeted reserve in FY 2004 and will be a cash reserve totaling \$50 million.

47. Tobacco Securitization Savings (Investment Funds). Reflects savings from the tobacco securitization plus those remaining after allowing for debt service on tobacco bonds (tobacco residuals) that are to be invested.

48. Cash Reserve Total.

49. Fund Balance not in Cash Reserve. Reflects the portion of the Fund Balance that is not composed of cash reserves. This line item does not reflect available funds because there are several restrictions on the District's fund balance in addition to cash reserve balances. One such restriction is bond escrow, which composes more than \$200 million of the District's FY 2001 Fund Balance. Bond escrow is accumulated cash that the District is required to maintain for debt payments in the coming year. Fund Balance restrictions are addressed thoroughly in the District's Comprehensive Annual Financial Report.

Fiscal Condition Assessment

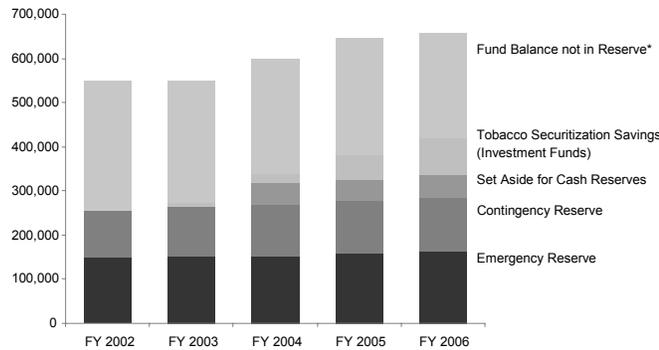
The FY 2003 through FY 2006 Financial Plan depicts four years of balanced budgets with modest surpluses. The District's accumulated reserves provide a budgetary safeguard for the near future, giving the District the flexibility to avert short-term imbalances between revenues and expenditures.

However, recessionary revenue pressures, accumulated operating service needs, and a long-term structural imbalance between revenues and

expenditures all apply pressure to the District's operating margin. The District has averted the confluence of these pressures over the last five years with aggressive management reform and a booming economy. The District may need to adopt austerity measures that impact service delivery if the city must address these pressures with existing resources.

The Revenue chapter and the Operating Expenditures chapter provide the detail behind the assumptions used to generate these estimates.

Chart 3-1
Composition of Fund Balance
(\$ in thousands)



* For a list of other restrictions on the fund balance, see the Comprehensive Annual Financial Report.

Table 3-6
FY 2003 - FY 2006 Proposed Budget and Financial Plan

Summary, Gross Funds
(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
12 Total Revenues with Initiatives (See Table 3-2)	5,968,049	5,360,133	5,494,874	5,714,628	5,889,160	6,127,519	6,336,446
General Fund Expenditures (See Table 3-3)							
General Program Expenditures	5,712,433	5,192,044	5,445,945	5,634,345	5,861,373	6,026,917	6,272,926
21 Budgeted Reserve	0	120,000	33,000	70,000	0	0	0
Tobacco Funds	0	0	0	10,000	18,790	66,750	61,592
28 Total Expenditures	5,712,433	5,312,044	5,478,945	5,714,345	5,880,163	6,093,667	6,334,518
29 Operating Margin, Budget Basis	255,616	48,089	15,929	283	8,997	33,852	1,928
GAAP Adjustments and Transfers (See Table 3-4)	(177,996)	53,254	16,254	10,000	39,395	13,375	10,796
37 Net Operating Margin - GAAP Basis	77,620	101,343	32,183	10,283	48,392	47,227	12,724
38 Beginning General Fund balance	484,625	562,245	562,245	548,928	550,726	599,118	646,345
39 Surplus/(Deficit)	77,620	101,343	32,183	10,283	48,392	47,227	12,724
40 Adjustments to General Fund Balance	0	(45,500)	(45,500)	(8,485)	0	0	0
41 Adjusted Ending General Fund Balance	562,245	618,088	548,928	550,726	599,118	646,345	659,069
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	264,876	269,811	277,253	286,270
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	292,125	256,599	264,876	269,811	277,253	286,270
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	151,358	154,178	158,430	163,583
45 Contingency Cash Reserve Balance (3%)	0	142,125	106,599	113,518	115,633	118,823	122,687
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	19,395	52,770	83,566
48 Cash Reserve Total	100,858	292,125	256,599	274,876	339,206	380,023	419,836
49 Fund Balance not in Reserve	461,387	325,963	292,329	275,850	259,912	266,322	239,233

This table provides a summary of the District's FY 2003 through FY 2006 Proposed Budget and Financial Plan, Gross Funds. A more detailed version of this plan appears on the facing page.

Table 3-6A

FY 2003 - FY 2006 Proposed Budget and Financial Plan, Gross Funds**Long Form**

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
Revenues							
1 Taxes	3,209,273	3,243,555	3,191,719	3,318,842	3,394,170	3,586,890	3,744,446
2 Non-Tax Revenues	315,973	225,334	229,011	229,330	235,338	245,022	244,843
3 Federal Payment	43,295	38,193	194,093	33,000	0	0	0
4 Lottery	86,858	70,000	70,000	72,900	73,800	74,600	74,600
5 FY 2001 General Obligation Bonds (Refunding)	568,776	0	0	0	0	0	0
6 Local Fund Revenues	4,224,175	3,577,082	3,684,823	3,654,072	3,703,308	3,906,512	4,063,889
7 Grants	1,307,991	1,543,041	1,543,041	1,712,498	1,810,078	1,910,436	2,015,393
8 Private/Other Revenues	288,169	194,510	194,510	209,414	215,641	222,481	229,555
9 Non-Local Revenues	1,596,160	1,737,551	1,737,551	1,921,912	2,025,719	2,132,917	2,244,948
10 Revenue Initiatives	0	0	27,000	130,159	160,133	88,090	27,609
11 Carry forward from prior year	147,714	45,500	45,500	8,485	0	0	0
12 Total Revenues with Initiatives	5,968,049	5,360,133	5,494,874	5,714,628	5,889,160	6,127,519	6,336,446
Expenditures (by Appropriation Title)							
13 Governmental Direction and Support	216,896	286,138	358,707	280,136	289,799	299,934	310,453
14 Economic Development and Regulation	189,155	230,878	231,910	258,539	266,334	274,565	280,041
15 Public Safety and Justice	800,819	633,853	700,460	639,892	655,330	678,608	700,791
16 Public Education System	1,077,782	1,108,665	1,201,028	1,200,201	1,195,336	1,221,320	1,246,214
17 Human Support Services	1,743,190	1,803,923	1,843,193	2,496,297	2,600,110	2,699,205	2,832,794
18 Public Works	298,453	300,151	326,773	324,828	337,777	351,836	366,521
19 Receiverships	475,457	403,868	406,829	0	0	0	0
20 Financing and Other	910,681	361,314	343,791	434,452	451,687	486,449	521,112
21 Budgeted Reserve	0	120,000	33,000	70,000	0	0	0
22 Reserve Relief - Programs	0	30,000	0	0	0	0	0
23 TIF Expenditures	0	0	0	0	15,000	15,000	15,000
24 Set Aside for Cash Reserve	0	0	0	0	50,000	0	0
25 Tobacco Trust Fund (Program Funds)	0	0	0	0	9,395	33,375	30,796
26 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	9,395	33,375	30,796
27 Tobacco Funds Transfer to Cash	0	33,254	33,254	0	0	0	0
28 Total Expenditures	5,712,433	5,312,044	5,478,945	5,714,345	5,880,163	6,093,667	6,334,518
29 Operating Margin, Budget Basis	255,616	48,089	15,929	283	8,997	33,852	1,928
30 Projected GAAP Adjustments (Net)	(177,996)	(50,000)	(50,000)	(20,000)	(20,000)	(20,000)	(20,000)
31 Unspent Reserve (Budgeted)	0	70,000	33,000	20,000	0	0	0
32 1% Cash Transfer (From Unrest. Fund Balance)	(33,000)	(35,533)	(35,533)	0	0	0	0
32a 1% Cash Transfer (to Cash Reserves)	33,000	35,533	35,533	0	0	0	0
33 FY 2000 Carryover Adj. (From Unrest. Fund Balance)	0	(122,480)	(86,954)	0	0	0	0
33a FY 2000 Carryover Adj. (to Cash Reserves)	0	122,480	86,954	0	0	0	0
34 Set Aside for Cash Reserve (to Cash Reserves)	0	0	0	0	50,000	0	0
35 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	9,395	33,375	30,796
36 Tobacco Funds Transfer to Cash	0	33,254	33,254	0	0	0	0
37 Net Operating Margin - GAAP Basis	77,620	101,343	32,183	10,283	48,392	47,227	12,724
38 Beginning General Fund balance	484,625	562,245	562,245	548,928	550,726	599,118	646,345
39 Surplus/(Deficit)	77,620	101,343	32,183	10,283	48,392	47,227	12,724
40 Adjustments to General Fund Balance	0	(45,500)	(45,500)	(8,485)	0	0	0
41 Adjusted Ending General Fund Balance	562,245	618,088	548,928	550,726	599,118	646,345	659,069
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	264,876	269,811	277,253	286,270
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	292,125	256,599	264,876	269,811	277,253	286,270
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	151,358	154,178	158,430	163,583
45 Contingency Cash Reserve Balance (3%)	0	142,125	106,599	113,518	115,633	118,823	122,687
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	19,395	52,770	83,566
48 Cash Reserve Total	100,858	292,125	256,599	274,876	339,206	380,023	419,836
49 Fund Balance not in Reserve	461,387	325,963	292,329	275,850	259,912	266,322	239,233

FY 2003 Local Fund Sources and Uses

(\$ in thousands)

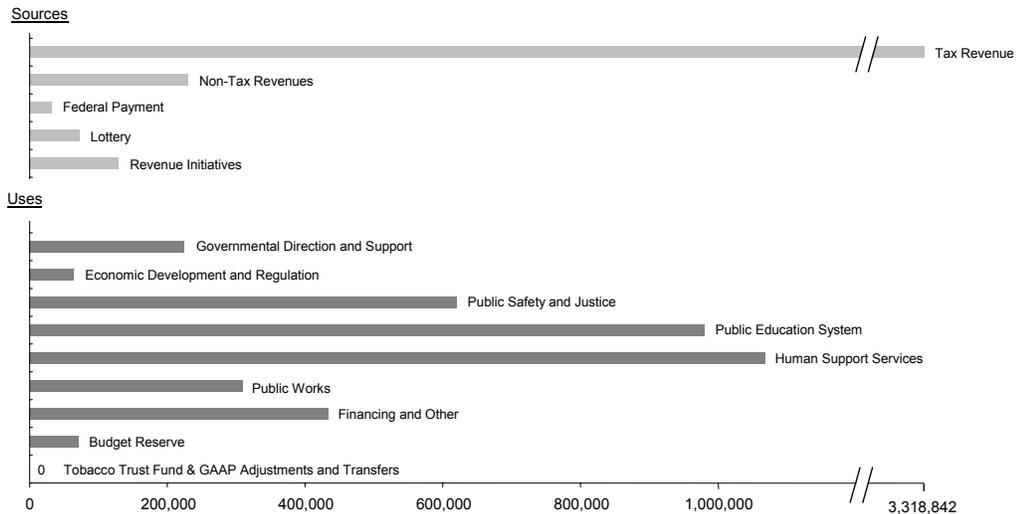


Table 3-7

FY 2003 - FY 2006 Proposed Budget and Financial Plan

Summary, Local Funds

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
12 Total Local Revenues with Initiatives	4,371,889	3,622,582	3,757,323	3,784,231	3,863,441	3,994,602	4,091,498
General Fund Expenditures							
General Program Expenditures	4,130,103	3,454,493	3,708,394	3,703,948	3,835,654	3,894,000	4,027,978
21 Budgeted Reserve	0	120,000	33,000	70,000	0	0	0
Tobacco Funds	0	0	0	10,000	18,790	66,750	61,592
Total Local Expenditures	4,130,103	3,574,493	3,741,394	3,783,948	3,854,444	3,960,750	4,089,570
29 Operating Margin, Budget Basis	241,786	48,089	15,929	283	8,997	33,852	1,928
GAAP Adjustments and Transfers	(164,166)	53,254	16,254	10,000	39,395	13,375	10,796
37 Net Operating Margin - GAAP Basis	77,620	101,343	32,183	10,283	48,392	47,227	12,724
38 Beginning General Fund balance	484,625	562,245	562,245	548,928	550,726	599,118	646,345
39 Surplus/(Deficit)	77,620	101,343	32,183	10,283	48,392	47,227	12,724
40 Adjustments to General Fund Balance	0	(45,500)	(45,500)	(8,485)	0	0	0
41 Adjusted Ending General Fund Balance	562,245	618,088	548,928	550,726	599,118	646,345	659,069
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	264,876	269,811	277,253	286,270
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	292,125	256,599	264,876	269,811	277,253	286,270
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	151,358	154,178	158,430	163,583
45 Contingency Cash Reserve Balance (3%)	0	142,125	106,599	113,518	115,633	118,823	122,687
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	19,395	52,770	83,566
48 Cash Reserve Total	100,858	292,125	256,599	274,876	339,206	380,023	419,836
49 Fund Balance not in Reserve	461,387	325,963	292,329	275,850	259,912	266,322	239,233

Table 3-7A

FY 2003 - FY 2006 Proposed Budget and Financial Plan, Local Funds**Long Form**

(\$ in Thousands)

	FY 2001 Actual	FY 2002 Approved	FY 2002 Adjusted	FY 2003 Proposed	FY 2004 Projected	FY 2005 Projected	FY 2006 Projected
Revenues							
1 Taxes	3,209,273	3,243,555	3,191,719	3,318,842	3,394,170	3,586,890	3,744,446
2 Non-Tax Revenues	315,973	225,334	229,011	229,330	235,338	245,022	244,843
3 Federal Payment	43,295	38,193	194,093	33,000	0	0	0
4 Lottery	86,858	70,000	70,000	72,900	73,800	74,600	74,600
5 FY 2001 General Obligation Bonds (Refunding)	568,776	0	0	0	0	0	0
6 Local Fund Revenues	4,224,175	3,577,082	3,684,823	3,654,072	3,703,308	3,906,512	4,063,889
10 Revenue Initiatives	0	0	27,000	130,159	160,133	88,090	27,609
11 Carry forward from prior year	147,714	45,500	45,500	0	0	0	0
12 Total Local Revenues with Initiatives	4,371,889	3,622,582	3,757,323	3,784,231	3,863,441	3,994,602	4,091,498
Expenditures (by Appropriation Title)							
13 Governmental Direction and Support	178,109	229,421	301,990	225,234	233,266	241,608	250,275
14 Economic Development and Regulation	54,523	60,786	61,818	64,553	66,910	69,151	71,475
15 Public Safety and Justice	634,730	594,803	661,410	620,039	634,914	657,562	679,094
16 Public Education System	962,413	896,994	989,357	980,206	969,009	988,027	1,005,721
17 Human Support Services	780,771	711,072	750,342	1,069,630	1,092,542	1,100,318	1,135,251
18 Public Works	287,366	286,334	312,956	309,834	322,326	335,885	350,050
19 Receiverships	324,650	250,515	253,476	0	0	0	0
20 Financing and Other	907,541	361,314	343,791	434,452	451,687	486,449	521,112
21 Budgeted Reserve	0	120,000	33,000	70,000	0	0	0
22 Reserve Relief - Programs	0	30,000	0	0	0	0	0
23 TIF Expenditures	0	0	0	0	15,000	15,000	15,000
24 Set Aside for Cash Reserve	0	0	0	0	50,000	0	0
25 Tobacco Trust Fund (Program Funds)	0	0	0	0	9,395	33,375	30,796
26 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	9,395	33,375	30,796
27 Tobacco Funds Transfer to Cash	0	33,254	33,254	0	0	0	0
28 Total Expenditures	4,130,103	3,574,493	3,741,394	3,783,948	3,854,444	3,960,750	4,089,570
29 Operating Margin, Budget Basis	241,786	48,089	15,929	283	8,997	33,852	1,928
30 Projected GAAP Adjustments (Net)	(164,166)	(50,000)	(50,000)	(20,000)	(20,000)	(20,000)	(20,000)
31 Unspent Reserve (Budgeted)	0	70,000	33,000	20,000	0	0	0
32 1% Cash Transfer (From Unrest. Fund Balance)	(33,000)	(35,533)	(35,533)	0	0	0	0
32a 1% Cash Transfer (to Cash Reserves)	33,000	35,533	35,533	0	0	0	0
33 FY 2000 Carryover Adj. (From Unrest. Fund Balance)	0	(122,480)	(86,954)	0	0	0	0
33a FY 2000 Carryover Adj. (to Cash Reserves)	0	122,480	86,954	0	0	0	0
34 Set Aside for Cash Reserve (to Cash Reserves)	0	0	0	0	50,000	0	0
35 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	9,395	33,375	30,796
36 Tobacco Funds Transfer to Cash	0	33,254	33,254	0	0	0	0
37 Net Operating Margin - GAAP Basis	77,620	101,343	32,183	10,283	48,392	47,227	12,724
38 Beginning General Fund balance	484,625	562,245	562,245	548,928	550,726	599,118	646,345
39 Surplus/(Deficit)	77,620	101,343	32,183	10,283	48,392	47,227	12,724
40 Adjustments to General Fund Balance	0	(45,500)	(45,500)	(8,485)	0	0	0
41 Adjusted Ending General Fund Balance	562,245	618,088	548,928	550,726	599,118	646,345	659,069
42 Emergency & Contingency Cash Reserve Target (7%)	227,555	248,731	248,731	264,876	269,811	277,253	286,270
43 Emergency & Contingency Cash Reserve Total (7%)	100,858	292,125	256,599	264,876	269,811	277,253	286,270
44 Emergency Cash Reserve Balance (4%)	100,858	150,000	150,000	151,358	154,178	158,430	163,583
45 Contingency Cash Reserve Balance (3%)	0	142,125	106,599	113,518	115,633	118,823	122,687
46 Set Aside for Cash Reserve	0	0	0	0	50,000	50,000	50,000
47 Tobacco Trust Fund (Investment Funds)	0	0	0	10,000	19,395	52,770	83,566
48 Cash Reserve Total	100,858	292,125	256,599	274,876	339,206	380,023	419,836
49 Fund Balance not in Reserve	461,387	325,963	292,329	275,850	259,912	266,322	239,233

