District of Columbia

State of the District of Columbia's Infrastructure

Presentation to the

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District of Columbia – A Unique Place

➢ *The District operates as, and has to finance and provide the infrastructure needs of, a state, county, city and school district*

➢ The District enjoys a growing population *(approx. 700,000)*, economy and tax base

➢ Fully-funded pension and OPEB trusts

➢ Strong bond ratings (Aaa/AA+/AA+) and strong reserves result in low overall costs of borrowing, but…..

➢ *The District has a large deferred maintenance backlog*

➢ *Historically low pay-as-you-go ("paygo") funding levels*

➢ *Relatively high debt per capita ratios and statutory limits on borrowing*

Infrastructure Challenges *(National & Local)*

- In 2017, the American Society of Civil Engineers (ASCE) infrastructure report card scored the nation's infrastructure a "D+" on a scale of "A to F"

- ASCE's gave the District's infrastructure a slightly higher, but still not great, grade of "C-"

- District is a unique entity with responsibility to finance infrastructure needs of a state, county, city and school district

- The District has spent billions on schools reconstruction due to long-term lack of adequate maintenance

- Also had to address long-term funding needs of WMATA

Four Key Questions to Ask

1. What assets do we have that need to be maintained?

   ✓ *Develop a comprehensive asset inventory (or registry)*

2. What is the quality of the assets we have?

   ✓ *Facility/asset condition assessments*

3. How will we prioritize our capital needs?

   ✓ *Develop system to evaluate, rank and prioritize asset maintenance*

4. How much funding is available to address capital needs and asset maintenance?

   ✓ *Debt outstanding, debt limits, paygo, federal and other sources of funding*
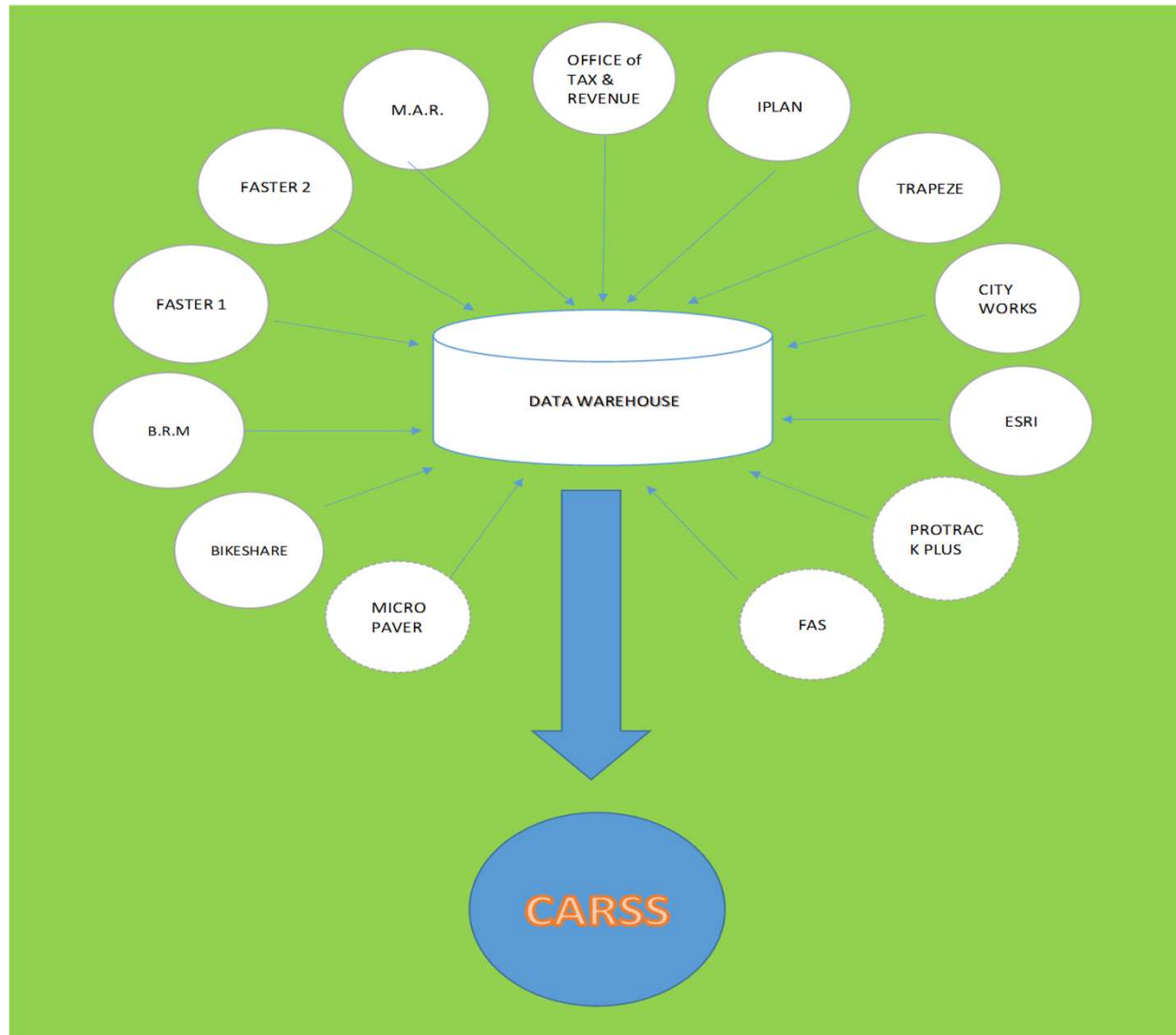
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What is CARSS?

➢ Capital Asset Replacement Scheduling System

➢ Asset management planning software

  ▪ Inventories an organizations assets

  ▪ Incorporates condition assessment information

  ▪ Helps to prioritize investment in those assets to maximize return on investment

➢ Produces a more data-driven CIP *(more defensible)*

➢ Identifies and quantifies those capital projects that cannot be funded within the financial constraints of the CIP

➢ Allows the District to focus and develop a plan to address those unmet capital needs

  ▪ *Long-Range Capital Financial Plan*

CARSS Data Sources

Approach to Develop Long-Range Capital Financial Plan (LRCFP) with CARSS

➢ Worked with agencies to develop capital projects cost estimates, unconstrained by funding, as well as costs for maintenance of all assets

➢ Worked with various stakeholders to develop criteria to score, rank and prioritize all capital projects

   ✓ Both for new projects and maintenance of existing assets

➢ Determined funding capacity by year under current constraints

   ✓ Debt capacity, local funds, federal funds, etc.

➢ Identified capital projects where Public-Private Partnerships (P3s) and private sector funding could assist

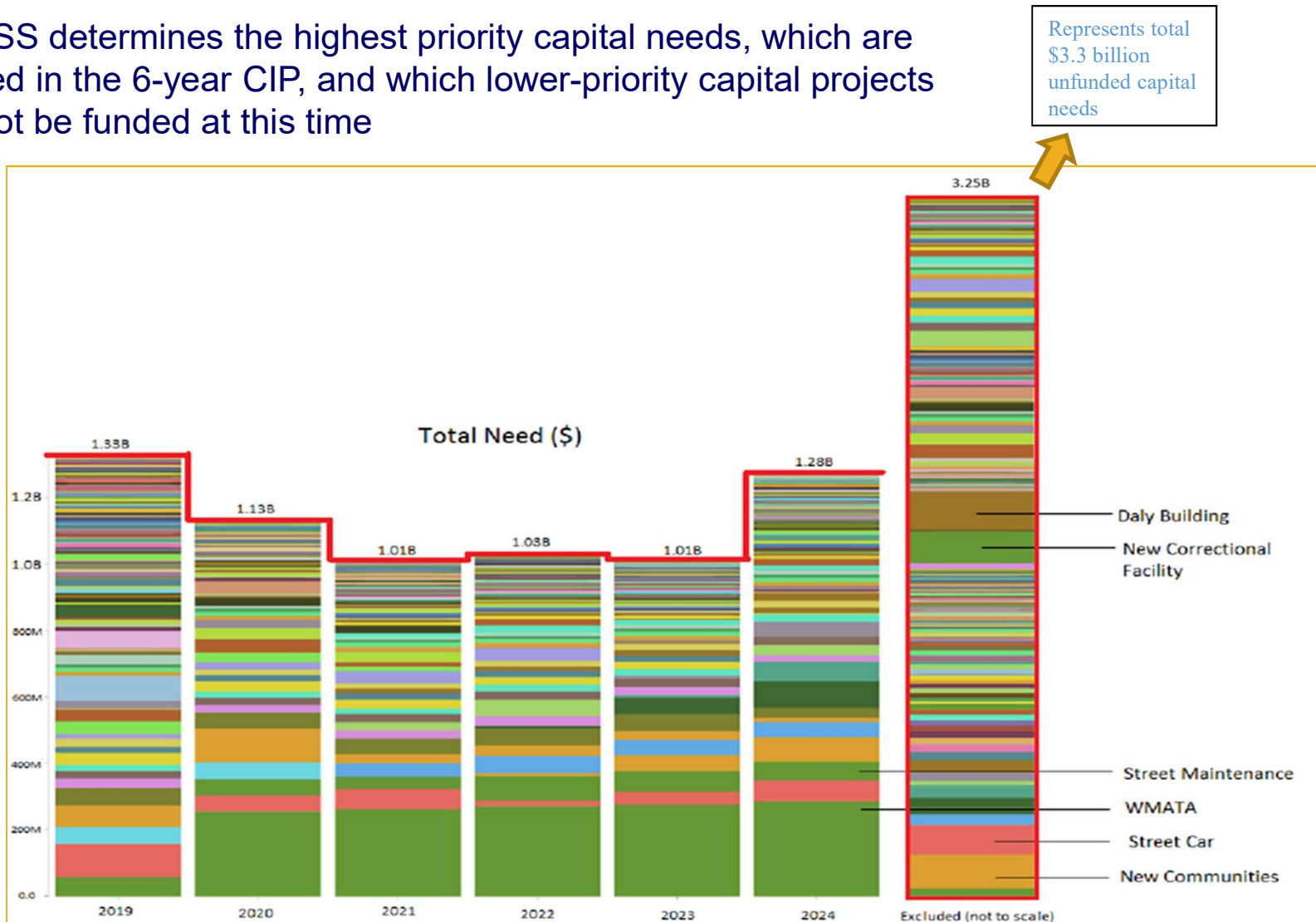➢ Developed a plan to fund those capital needs that cannot be funded in the current CIP

Prioritizing & Ranking Capital Projects

CARSS determines the highest priority capital needs, which are funded in the 6-year CIP, and which lower-priority capital projects cannot be funded at this time
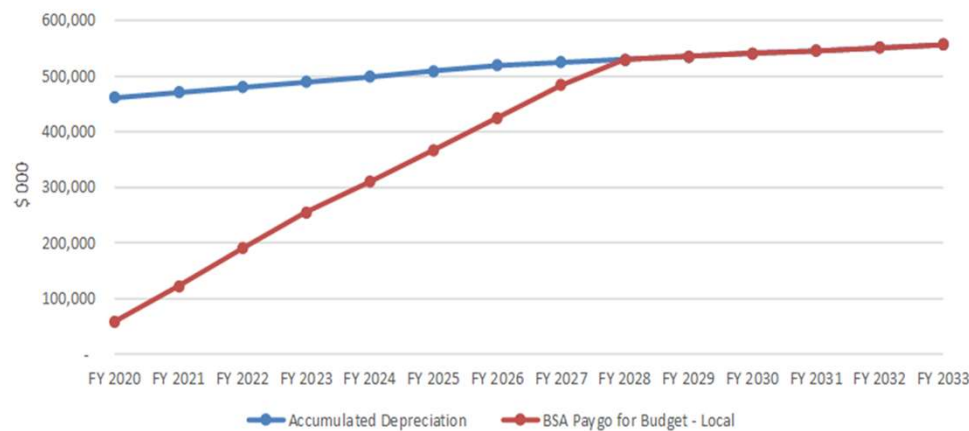
Represents total $3.3 billion unfunded capital needs

Total Need ($)

Funding Approach for Capital Needs

Projected Future Paygo Transfers vs. Est. Annual Depreciation

New District law gradually increases paygo (cash funding) levels until they equal annual depreciation of District assets.

Issuing debt up to the statutory limits, as well as refinancing existing debt when appropriate, will allow the District to fund its unmet needs in a reasonable amount of time. Also, by FY2028 significant debt capacity occurs to help fund needed, new capital projects to support growth.
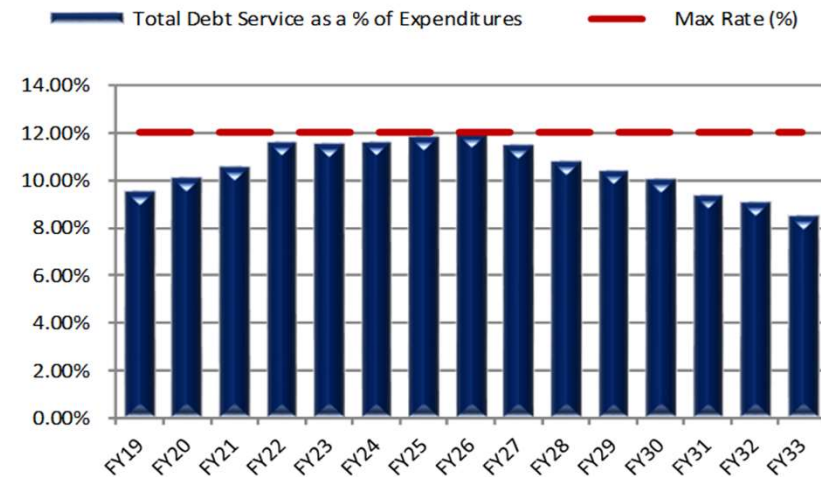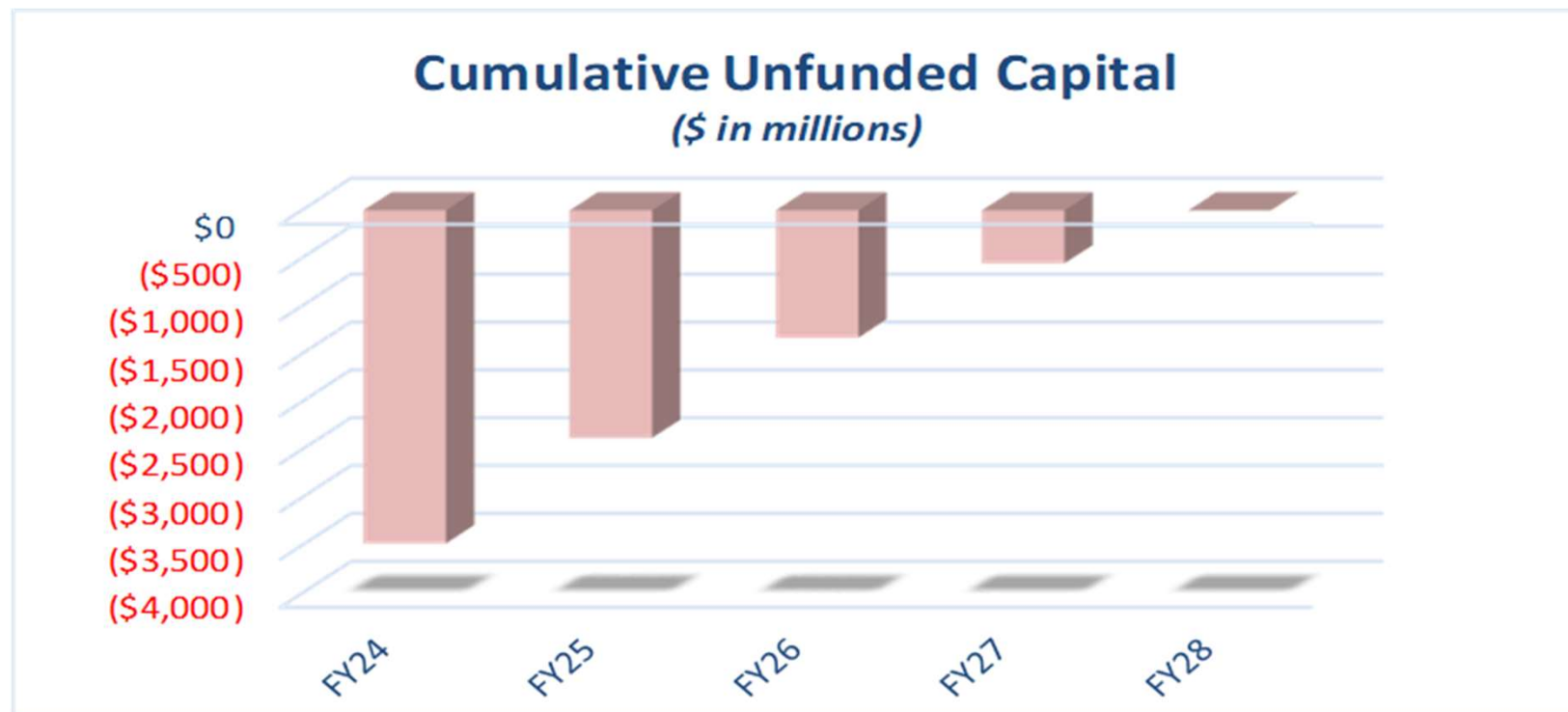
Addressing Unmet Capital Needs

➢ Combination of maximizing borrowing, increased paygo (cash) funding per legislation and other funding allows District to fund all identified capital needs by FY 2028

  ▪ *This includes completely funding all deferred maintenance*

Cumulative Unfunded Capital
($ in millions)

	FY24	FY25	FY26	FY27	FY28

Y-axis scale: $0, ($500), ($1,000), ($1,500), ($2,000), ($2,500), ($3,000), ($3,500), ($4,000)

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Results of Long-Term Capital Planning

➤ Total unmet capital needs reduced to $3.3 billion, approximately $1.2 billion is deferred maintenance

➤ All unmet capital needs, including deferred maintenance, funded within a decade

➤ 100% of District-owned assets now inventoried in CARSS

➤ Bond ratings upgraded across the board, including to **Aaa** by Moody's

➤ District has addressed its share of additional capital funds needed for WMATA *(Approx. $2.3 billion over 10 years)*

  ▪ *New dedicated funding, and increased existing funding for capital should allow WMATA to meet its state of good repair capital needs within a decade*

➤ *CARSS is the most comprehensive asset management system of any state or local government in the nation*

Contact Information

Copies of the District's Long-Range Capital Financial Plan Report can be found on the OCFO website at https://cfo.dc.gov, or on the District's investor relations website at www.DCbonds.com.

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