

**PUBLIC HEARING**  
**ON THE**  
**“CHIEF FINANCIAL OFFICER OF THE DISTRICT OF**  
**COLUMBIA DR. NATWAR M. GANDHI**  
**CONFIRMATION RESOLUTION OF 2007”**

**Before the**  
**Committee on Finance and Revenue**  
**Council of the District of Columbia**

**The Honorable Jack Evans, Chairman**

**February 14, 2007, 10:00 a.m.**  
**Room 412, John A. Wilson Building**



**Testimony of**  
**Natwar M. Gandhi**  
**Chief Financial Officer**  
**Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Natwar M. Gandhi, Chief Financial Officer of the District of Columbia government. I am honored that Mayor Fenty has nominated me to be reappointed as Chief Financial Officer for another term, and I appear before you today to discuss my qualifications and vision for this position.

### **Looking Back**

It has been 10 years since I came to work for the Government of the District of Columbia. My first position was Deputy Chief Financial Officer for Tax and Revenue, where I reported to then Chief Financial Officer Anthony Williams. Nearly seven years ago, in June 2000, I was appointed to the position of Chief Financial Officer.

Looking back over this period, I am proud of what has been accomplished. We have improved the fundamental financial management of the District. Let me review some of what I feel are the most important measures of success. In every year of my tenure as CFO, the District has:

- Delivered its Comprehensive Annual Financial Report (CAFR) on time and with a clean audit opinion;
- Achieved balanced budgets with annual budgetary surpluses at the end of each fiscal year;
- Improved and made routine the function of regular financial disclosure, and provided the Mayor and Council with the tools needed to make informed decisions on policy issues;

- Recruited and developed a first rate financial management and accounting staff, including the offices of budget and planning, finance and treasury, financial operations and systems, revenue analysis, and tax and revenue; and
- Established an effective structure for agency financial operations to serve program managers and help them achieve their missions.

Of all the measures listed above, I believe the last – building a strong and stable financial staff – has been key to achieving the other accomplishments and to regaining and sustaining financial credibility and fiscal stability.

When I took this office, it had been just a year since the District’s bond ratings emerged from below investment grade, or “junk bond,” ratings (see attachment). Bond ratings are internationally recognized shorthand for a city’s financial health. The 2000 ratings were in the lowest category that is considered investment grade. In its September 2000 report on the District’s general obligation bond ratings, Moody’s Investors Service referred to the District’s “relatively weak economy”. They wrote:

The District’s credit, at Baa3, stands at a crossroads. As the District is poised to emerge shortly from the congressionally imposed control period, it faces myriad challenges. Many of these are not new, including constraints imposed on its revenue-generating capacity, a high debt burden, and a relatively weak economy.

Today, the District enjoys a strong economy and, thanks to a concerted effort on the part of elected leaders, it has reestablished itself as the economic hub of the

region. Even with recent national uncertainty, the District's economy remains sound. Under Mayor Fenty and this Council, I see a bright future for our city.

The strong local economy and the District government's ability to manage its finances have led the District to enjoy greatly improved credibility on Wall Street, on Capitol Hill, in the District's own business community, and in the eyes of the general public. This success is reflected in our current bond ratings of A+ from Standard & Poor's, A2 from Moody's and A from Fitch Ratings. When they rated the District A2 in November 2005, Moody's wrote:

[T]he District's elected leadership has demonstrated a commitment to maintaining fiscal balance, as evidenced by timely actions taken to respond to a projected budget deficit in fiscal 2003, and a balanced approach to tax cuts and new spending initiatives in the current environment...The District's positive financial performance of recent years reflects several factors, including good economic performance, favorable revenue diversity, and strong financial management.

Indeed, this credibility was further demonstrated just last month when the Washington Convention Center Authority (WCCA) refinanced nearly half a billion dollars of debt. Not only did the WCCA realize a favorable interest rate of 4.53%, but it received orders for nearly \$45 million, or about 9% of the bond offering, from retail customers – that is, individuals as opposed to large investment funds.

### **Looking Ahead**

The District faces a number of challenges. I would like now to look forward to what I believe we should consider as our highest fiscal priorities.

First, we must build on the financial gains we have realized. To lose ground at this point would be contrary to the interests of the citizens of the District of Columbia who pay taxes to support this government. We have corrected many of the glaring problems. The next stage of improving our financial condition will be somewhat more difficult, both in identifying the specifics of each problem, and in finding and implementing cost-effective ways to correct them. I pledge to continue to pursue excellence in financial management.

Second, we should continue to redefine our federal relationship. Now that we have established the District on a sound fiscal and financial footing, we deserve to be given greater budget autonomy by the Congress. For example, we should be given the ability to spend local dollars as we deem appropriate for the District's residents. After all, the District balances its budget every year. Accordingly, if confirmed, I will continue to work with you toward accomplishing this important goal of a strengthened federal fiscal partnership.

Third, we should continue to follow responsible fiscal policies, including:

- Controlling our borrowing to avoid a heavy debt burden in the future; and
- Developing a strategy for our tax base that is fair, stable and competitive with neighboring jurisdictions, while preserving adequate revenue flow.

It goes without saying that we must also balance our budgets every year and produce timely, clean audits of our financial activities. I believe that we can follow these policies and provide needed services to the citizens of the District of Columbia. By adhering to these standards, it will be possible for the District to achieve even greater fiscal stability, which could lead to higher bond ratings.

## **Conclusion**

I want to take this opportunity to thank Mayor Fenty for showing such a high degree of confidence in me. And to you, Mr. Chairman, I thank you for your support and understanding of the challenges the District has faced, your commitment to fiscal prudence over the years, and your invaluable perspective as one of the District's most experienced leaders.

Let me also extend my deepest thanks to my staff, who helped make possible the improvements in the District's fiscal credibility by dedicating themselves to building the foundation of excellence in financial management on which we have all come to depend.

This concludes my remarks. I would be pleased to answer any questions you may have.

# Surplus and Bond Rating History

