

PUBLIC HEARING
ON
PR 18-120 “FISCAL YEAR 2009 INCOME TAX
SECURED REVENUE BOND AND GENERAL
OBLIGATION BOND ISSUANCE APPROVAL
RESOLUTION OF 2009”

Before the
Committee of the Whole
Council of the District of Columbia

Chairman Vincent C. Gray

February 25, 2009, 3:30 p.m.
John A. Wilson Building, Room 120



Testimony of Lasana Mack
Treasurer and Deputy Chief Financial Officer
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer
District of Columbia

Good afternoon, Chairman Gray, members of the Committee of the Whole. I am Lasana Mack, Treasurer and Deputy Chief Financial Officer in the Office of the Chief Financial Officer. Thank you for the opportunity to present testimony regarding PR 18-120, the Fiscal Year 2009 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Approval Resolution of 2009. I am joined by James Spaulding, Associate Deputy Chief Financial Officer in the Office of Budget and Planning. At the conclusion of my testimony, Mr. Spaulding and I would be pleased to address any questions that the committee may have about the proposed bond issuance and/or the capital projects slated to be financed by it.

The District issues long-term bonds annually to finance a substantial portion of its on-going Capital Improvements Program. Typically, the District issues general obligation bonds for this purpose. The proposed resolution would approve the issuance of a new type of bonds for the District, Income Tax Secured Revenue Bonds, for which the Council has provided prior authorization via the Income Tax Secured Bond Authorization Act of 2008. As is the case with general obligation bonds, the Act provides broad authorization for the issuance of the bonds, and subsequent Council resolutions provide approval for each particular issuance of bonds to finance

specifically identified capital projects. The capital projects to be financed by this proposed bond issuance have all been previously approved by the Council as a part of the District's capital budget process associated with the Fiscal Year 2009 Budget and Financial Plan or prior-year budgets. They are included here based on recent spending or anticipated spending in the near future.

As indicated in its title, the proposed resolution also authorizes the issuance of general obligation bonds to finance the identified capital projects. The reason that the resolution is drafted in this manner is that it is best for the District to have the option to issue general obligation bonds while pursuing the issuance of income tax revenue bonds.

As we have indicated in prior Council testimony, the income tax revenue bonds are to be issued instead of general obligation bonds, not in addition to general obligation bonds. The Debt Ceiling Act, recently enacted by the Council, will apply whether we issue income tax revenue bonds or general obligation bonds. The premise behind the proposed issuance of income tax revenue bonds is that such bonds will be able to garner higher credit ratings and lower interest rates than general obligation bonds, producing debt

service savings for the District. However, it is prudent to preserve the option of issuing general obligation bonds in the event that unforeseen circumstances associated with the ratings and/or the financial marketplace produce a scenario in which it is advantageous to issue general obligation bonds. As it stands currently, we expect that the projects slated for financing via this proposed resolution will be financed with income tax revenue bonds.

The proposed resolution includes financing for a total of \$652.5 million of FY 2009 approved capital projects, and also includes a provision for refunding (refinancing) up to \$325 million of outstanding general obligation bonds. Given the current conditions in the financial marketplace, it is quite possible that it will be impractical to issue the total amount in the resolution in one bond issuance, and that the total amount will be issued in two separate bond issuances in FY 2009.

The initial issuance of income tax revenue bonds is slated for mid-March, in the amount of at least \$450 million. The final sizing of the initial issuance will be influenced by market conditions at the time of issuance. In closing, we request Council adoption of the proposed resolution on March 3 in order to allow for this initial issuance to proceed.

Mr. Chairman, members of the committee, this concludes my testimony.

Mr. Spaulding and I are prepared to address any questions that you may have.