September 16, 2002
Council of the District of Columbia
PUBLIC ROUNDTABLE ON "GENERAL OBLIGATION BOND ISSUANCE AUTHORIZATION EMERGENCY RESOLUTION OF 2002"

Testimony of N. Anthony Calhoun, Deputy Chief Financial Officer, Office of Finance and Treasury, before the Committee of the Whole

Good morning, Chairman Cropp and members of the Committee of the Whole. I am Anthony Calhoun, Treasurer and Deputy Chief Financial Officer for Finance and Treasury in the Office of the Chief Financial Officer. Thank you for the opportunity to appear before you today to present testimony on the proposed "General Obligation Bond Issuance Authorization Emergency Resolution of 2002" (the "Bond Resolution").

Appearing with me today is Lasana Mack, Associate Treasurer, who will assist in addressing any questions that you may have at the conclusion of my testimony. In my testimony today, I will briefly address the need for Council action on this proposed emergency legislation at the September 17 legislative session and the impact of the associated borrowing on the District's FY 2003 budget.

The Need for Council Action on the Emergency Bond Resolution on September 17
As stated in the Emergency Declaration resolution accompanying the proposed Bond Resolution, there is a need to issue general obligation bonds prior to the October 15, 2002, expiration date of the "General Obligation Bonds and Bond Anticipation Notes for Fiscal Years 2002-2007 Authorization Emergency Act of 2002" (the "Bond Act") in order to finance capital projects included in the District's approved FY 2002 Capital Improvement Plan, including reimbursement for expenditures that occurred in FY 2002 on such projects. Such reimbursement of the District's operating cash with a portion of the proceeds from the bond issuance is necessary to ensure that the District has sufficient operating cash in October, 2002. In part due to the concern expressed by the Council in recent years regarding borrowed capital funds that were not spent timely, the amount of projects to be financed by this bond issuance was determined in August 2002, based on actual agency capital spending during FY 2002 and projected agency capital spending through the first half of FY 2003, in order to attempt to closely match the amount borrowed with actual capital spending needs. Currently, only $50 million remains in unspent bond proceeds from prior borrowings, while over $200 million has been expended on capital projects for which funds have not yet been borrowed, using the District's operating cash to finance such project expenditures in the interim.

Compared to a few years ago when the District had relatively large net amounts of bond proceeds on hand, we now have a situation in which there is a relatively large net negative amount of bond proceeds on hand, resulting in a reduction in the District's level of operating cash pending the issuance of these bonds. Because operating cash is typically more plentiful during the second half of the fiscal year (due to the timing associated with some of the District's major tax receipts), this reduction in operating cash has not been problematic this fiscal year, and it has resulted in savings in debt service expenses that would have otherwise been incurred. However, as we enter FY 2003 and face the normal seasonal cash troughs that the District faces during the first quarter of its fiscal year, it is imperative that the operating cash that has been fronted for capital projects be reimbursed by these bond proceeds, and that the District have sufficient bond proceeds on hand to pay for on-going capital projects in the first half of FY 2003. Council passage of the Bond Resolution on September 17 is requested in order to provide the authority for the District to issue bonds prior to the expiration of the Bond Act, to provide these much-needed bond proceeds. It is necessary for this resolution to be passed on an emergency basis in order to avoid the normally required publication period in the DC Register, which would force the bond issuance to be pushed back into November.

Impact on the District's FY 2003 Budget
The proposed bond issuance associated with the Bond Resolution would have no impact on the FY 2003 budget beyond the debt service expenditures that are already included in the budget. In conjunction with

the issuance of bonds to finance the projects listed in the Bond Resolution, the District is also in the process of refunding (refinancing) certain outstanding debt at lower interest rates, which is expected to produce debt service savings in FY 2003. Those savings would positively impact the FY 2003 budget. At this point, the magnitude of such savings cannot be specified, as it depends on market conditions at the time of issuance.

Madame Chairman, this concludes my testimony. We are prepared to address any questions that you may have.