

**June 20, 2002**

Council of the District of Columbia

PUBLIC HEARING ON BILL 14-683, "GENERAL OBLIGATION BONDS AND BOND ANTICIPATION NOTES FOR FISCAL YEARS 2002-2007 AUTHORIZATION ACT OF 2002"

**Testimony of Anthony Calhoun, Deputy Chief Financial Officer, Office of Finance and Treasury, before the Committee on Finance and Revenue**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. My name is Anthony Calhoun, and I am treasurer and deputy chief financial officer for finance and treasury in the Office of the Chief Financial Officer (OCFO). I am here to testify on behalf of the OCFO regarding Bill 14-683, the "General Obligation Bonds and Bond Anticipation Notes for Fiscal Years 2002-2007 Authorization Act of 2002."

The content of this proposed act is substantially the same as the prior bond act that was enacted by the Council in 1999 (the "1999 Bond Act"), except for the authorization amount. As was the case with the 1999 Bond Act, this proposed act would authorize the financing of the District's current, approved six-year Capital Improvement Plan (CIP), taking into account the remaining authorization from the prior bond act.

The 1999 Bond Act authorized the full amount of the then-current six-year capital plan slated for debt financing, in the amount of \$753.6 million. Under the authorization granted through that bond act, the District issued \$704.5 million in general obligation bonds (not including refunding bonds), leaving remaining authorization under that act of only \$49.1 million. The total amount slated for debt financing in the approved FY 2002-2007 CIP is \$2.23 billion. The annual amounts that comprise this total are shown below. Borrowing this amount over a six-year period would raise the District's debt-per-capita ratio from its current level of approximately \$4,700 to approximately \$6,900, a very high level by rating agency and industry standards. However, two other debt ratios that are commonly used to assess a jurisdiction's debt burden – debt-to-full (property) value and debt service-to-general fund expenditures – would remain at very reasonable levels by these same rating agency and industry standards.

Subtracting the \$49.1 million of remaining authority from the 1999 Bond Act, we arrive at the amount of authorization contained in this proposed act: \$2.18 billion.

Because the out-years of the six-year CIP are revised from year to year, and because the budgeted CIP amounts have increased significantly since 1999, the financing authorization granted through the 1999 Bond Act was not sufficient to provide financing authority through 2004, as originally contemplated. However, it is normal for a government to adjust its capital plan from year to year, and the fact that additional authorization is needed now is a result of the District's increased focus over the past several years on making necessary and desirable infrastructure improvements.

It is important to note that although this act would authorize the current six-year capital plan, the Council will maintain control of the approval of each bond issuance and the capital projects to be financed by them through the requirement that the Council pass Bond Issuance Authorization Resolutions specifying the particular projects and amounts to be financed by each respective bond issuance. As with the 1999 Bond Act, this proposed act would authorize broad categories of projects, such as roads and bridges, physical plant, major equipment, etc., leaving the specific projects to be authorized by the Council resolutions.

The authorization for Bond Anticipation Notes (BANs) allows us to optimize bond issuances in terms of market interest rates and/or other market conditions. It provides the option of issuing BANs as an interim financing vehicle while awaiting or working toward the optimal conditions or circumstances for long-term bond issuance.

I am prepared to answer any questions that you may have at this time.

ATTACHMENT 1

Annual amounts slated for debt financing in the approved FY 2002-2007 Capital Improvement Plan:

<b>Fiscal Year</b>	<b>CIP Amount</b>
2002	\$350 million
2003	\$385 million
2004	\$395 million
2005	\$376 million
2006	\$372 million
2007	\$348 million
<b>Six-year Total</b>	<b>\$2,226 million</b>