

PUBLIC ROUNDTABLE ON
BILL 16-259, THE “BALLPARK OMNIBUS FINANCING
AND REVENUE AMENDMENT ACT OF 2005”

Before the
Committee on Finance & Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

May 13, 2005; 12:00 p.m.
Council Chamber, John A. Wilson Building



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

Good afternoon, Chairman Evans, members of the Committee on Finance and Revenue, and other councilmembers. I am Natwar M. Gandhi, Chief Financial Officer for the District of Columbia government. I am pleased to present testimony today on Bill 16-259, the “Ballpark Omnibus Financing and Revenue Amendment Act of 2005.”

Overview

On December 21, 2004, the Council passed the Private or Alternative Stadium Financing and Cost Trigger Emergency Act of 2004, which authorized the District to issue up to \$534.8 million in bonds to pay for renovations to RFK Stadium and the construction of a new ballpark in Southeast. The act also required the Chief Financial Officer (CFO) to request and review supplemental or alternative stadium financing plans and proposals for the baseball stadium.

- On March 14, 2005, I certified financing plans submitted by Deutsche Bank and The Gates Group to finance the stadium.
- On March 15, 2005, the Council asked me to recommend the “best” financing alternative for the District, given total project costs estimated at \$486 million.
- On March 30, 2005, I revised the cost estimate for the project to \$533 million. I took this new estimate into account when recommending the best financing alternative for the District.
- On April 5, 2005, I recommended the Deutsche Bank plan as the best financing option for the District.

In order to be certified as a financing alternative, the plan must have:

- Reduced the total amount of bonds the District would need to issue;
- Reduced the Ballpark Fee needed to support debt service; and
- May provide additional financial benefits with minimal additional risk.

The recommended plan I certified on March 14, 2005, met all of the criteria required for certification.

The Recommended Plan

On April 5, 2005, I recommended the Deutsche Bank plan as the best financing option for the District. Based on market conditions at the time of my review, the recommended plan includes the following elements:

- Deutsche Bank would provide \$246 million in upfront funds in return for average annual payments of \$18 million from the revenues generated by team rent and in-stadium taxes.
- The District would sell \$283 million in revenue bonds backed by the utility tax and a portion of the Ballpark Fee.
- The District would provide a legislatively mandated trigger to increase the Ballpark Fee if collections from rent and taxes were insufficient to cover annual payments.

A flow chart and a summary table illustrating the plan are attached to the testimony for your reference (*see Attachments 1 and 2*). The recommended plan is the best financing option for the District for the following reasons:

- The plan will preserve the District's ability to issue bonds for other needs and can help the District maintain a low cost of capital in the future. As I stated in my letter to Chairman Cropp dated May 5, 2005, the District's tax-

supported debt per capita is the highest in the nation at approximately \$8,200 per person.

- If the team rent and in-stadium taxes remain strong, the plan allows for the Ballpark Fee to be reduced. We estimate that this could occur in about 10 years.
- Deutsche Bank is committed now and has the funds necessary to buy team rent and in-stadium tax revenue streams, which are considered less stable by the bond market.
- The recommended plan meets the Council's criteria for alternative financing by providing \$246 million in upfront financing for the baseball stadium.

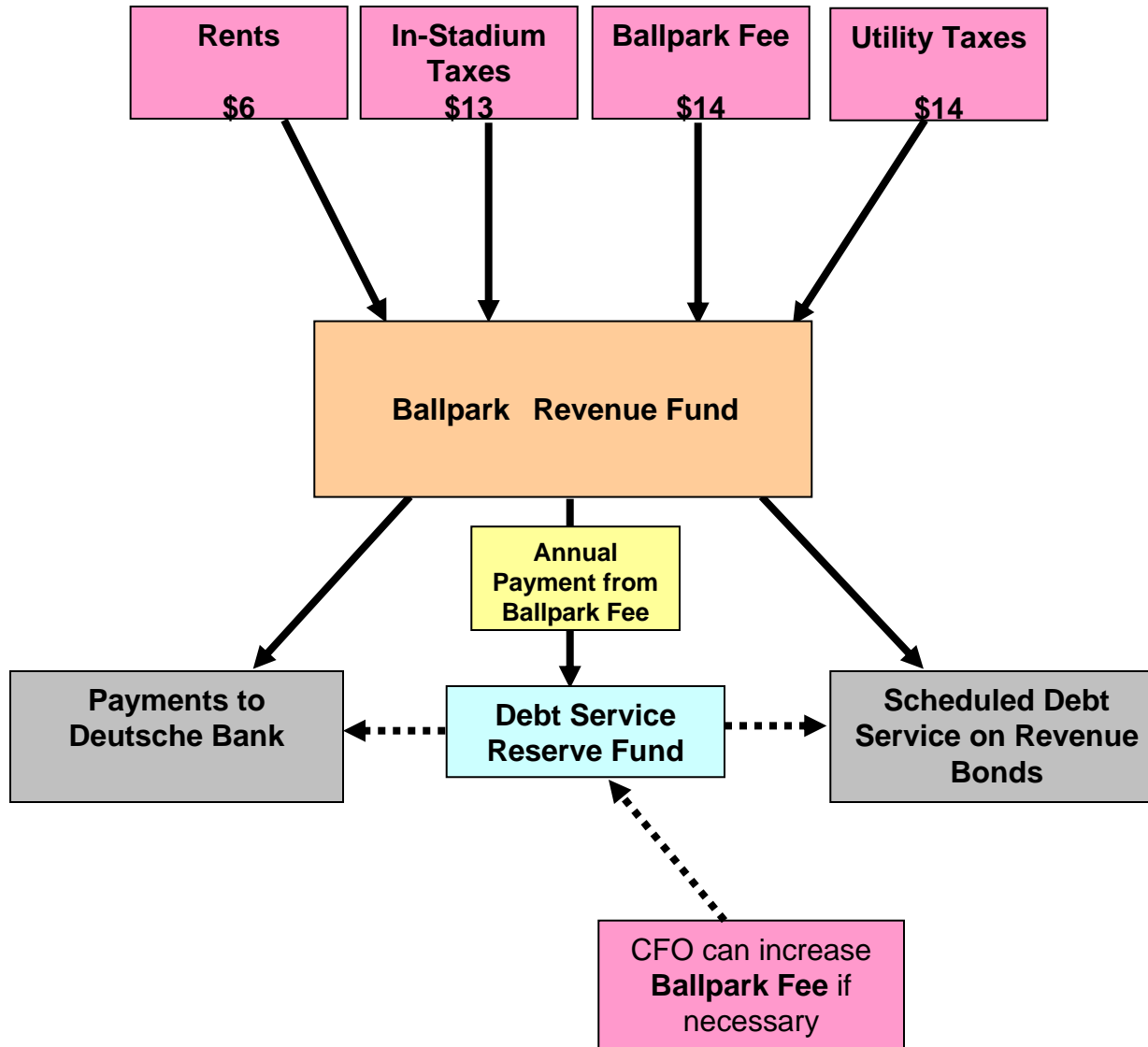
Although I did not recommend the plan provided by The Gates Group as the best financing option for the District, I recognize that The Gates Group plan could provide the stadium with additional parking, which could help to mitigate potential parking issues in the neighborhood surrounding the stadium. The Mayor and the Council may choose to consider this plan as the process moves forward.

I would also like to reiterate that the stadium could provide an excellent economic development opportunity in Southeast. Some of the submitted plans that I did not certify could provide a vehicle for the District to accelerate the economic development of this area. The Mayor and the Council may also choose to consider these plans as the development process moves forward.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other councilmembers might have at this time.

Recommended Plan

Flow of Funds



Structuring Scenario

(Estimated amounts are rounded, in millions)

		Recommended Plan with aggressive assumptions
1	Funds Needed for Project	\$533
2	Cost of Issuance	\$14
3	Reserves	\$28
4	Capitalized Interest	\$11
5	Total Funds Needed	\$586
6	Construction Fund Earnings and 2005 Revenues	\$57
7	Funds Available from Alternative Financing Source	\$246
8	Amount of District Bond Proceeds	\$283
9	Average Annual District Net Debt Service	\$16
10	Average Annual Alternative Financing Repayment	\$18
11	Total Average Annual Debt Service	\$34
12	Total Cost in Today's Dollars	\$502
13	Interest Rate (as of March 31, 2005)	5.28%
14	Annual Ballpark Fee Required for First 10 Years ¹	\$14

¹ A "trigger" is required to increase collection from the Ballpark Fee if projected revenues are insufficient to pay debt service.

