



Briefing on District of Columbia Debt Levels

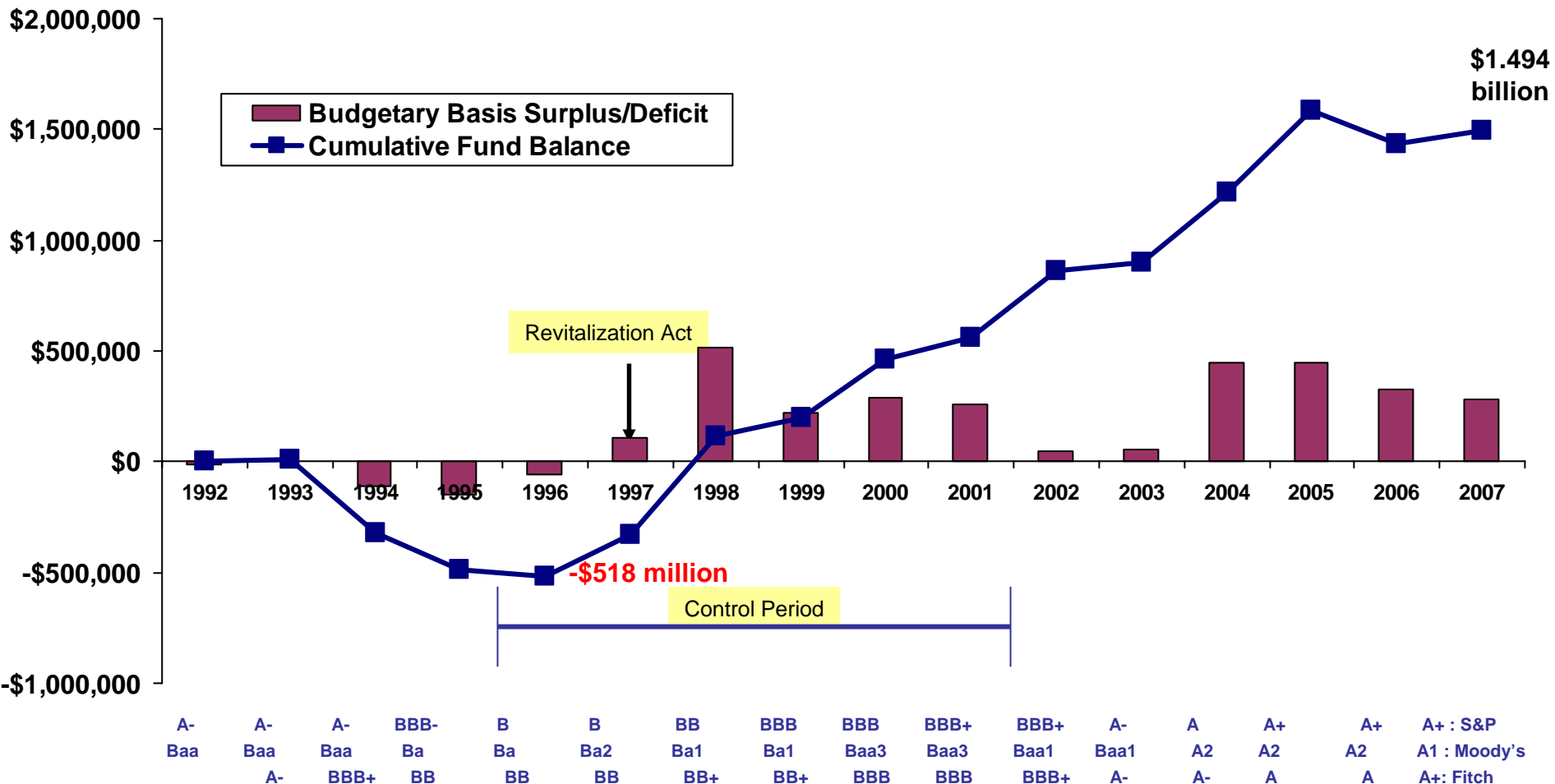
July 9, 2008



Rating Concerns

- ▶ The District has a strong record of fiscal responsibility and there are many accomplishments that have resulted from that adherence to sound financial management practices.
- ▶ This record of success is reflected in our bond ratings, which have been increased steadily over the past decade.
- ▶ There are, however, concerns that could affect the District's fiscal health if not addressed.

Surplus and Bond Rating History





Debt Ratios

Effect of Projected Additional Debt on Debt Ratios - as of June 2008

	Moody's 2006 Median for All Cities	Projected Overall Tax-Supported Debt at End of FY						
		2007	2008	2009	2010	2011	2012	2013
Debt to Estimated Full Value	2.7%	4.8%	4.9%	5.4%	5.5%	5.5%	5.3%	5.2%
Debt Per Capita (Median is from 2002)	\$1,992	\$ 10,119	\$ 10,902	\$ 12,327	\$ 13,209	\$ 13,538	\$13,772	\$13,999
Debt Service to General Fund Expenditures	8.6%	9.1%	9.7%	11.0%	11.8%	11.8%	11.3%	11.1%



Planned Projects

- The following projects are included in the projections:

	(\$ in millions)				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
GO Bonds:					
Annual GO bonds, including schools modernization	\$ 449	\$ 447	\$ 444	\$ 446	\$ 447
Government center bldgs	75	-	-	-	-
East Washington traffic initiative	50	88	50	-	-
Consolidated Laboratory	75	50	-	-	-
Sub Total GO Bonds	649	585	494	446	447
Master Lease	61	39	34	40	37
Economic Development Projects *					
Housing Production Trust Fund	50	140	-	-	-
Convention Center Hotel TIF	187	-	-	-	-
Downtown Retail Priority Area (DRPA)	17	-	-	-	-
Madame Toussauds TIF (DRPA)	3	-	-	-	-
Radio One TIF	-	8	-	-	-
Rhode Island Place RPA TIF	7	-	-	-	-
Southeast Federal Center PILOT	30	60	-	-	-
Capper Carrollsborg PILOT	55	-	-	-	-
Great Streets RPA TIF	19	48	29	-	-
Fort Lincoln RPA TIF	10	-	-	-	-
Skyland RPA TIF	40	-	-	-	-
O Street Market	47	-	-	-	-
Subtotal Econ Dev Projects	465	256	29	10	-
Total	\$ 1,175	\$ 879	\$ 557	\$ 496	\$ 484

* Southwest Waterfront project authorized for \$198 million not expected to be issued until 2014.



Debt Capacity

(\$ in millions)			
Fiscal Year	Planned/ Approved Borrowing	Adjustments to meet 10% Target	Additional Debt within 12% Firm Cap
2009	\$1,175	(\$1,175)	\$0
2010	\$879	(\$879)	\$200
2011	\$557	(\$307)	\$50
2012	\$496	(\$196)	\$200
2013	\$484	(\$109)	\$250



Economic Slowdown

- ▶ The national and regional economies are slowing significantly, and the outlook shows no sign of a turnaround.
- ▶ This has the potential to continue to negatively affect our revenues and cause budget pressures.
- ▶ The trend of increased revenue re-estimates has reversed, and we have now seen two consecutive downward re-estimates (February and May). Although future re-estimates may not be downward, increases are unlikely in the near term.



Debt levels

- ▶ It is important to focus on controlling the District's debt levels because they are a key factor in determining our bond ratings.
- ▶ The recommended target level for debt service to expenditures is 10 percent.
- ▶ The CFO recommends that the District strive to achieve this level, and exceed it only for projects that are deemed to be extremely important to the District, such as for schools modernization.
- ▶ Given this, the CFO recommends that the District:
 - Use paygo to fund capital projects as much as possible,
 - Control borrowing for economic development,
 - Retire debt early whenever possible, especially for revenue generating projects, and
 - Look for ways to borrow less, such as by offering tax abatements for 5 to 10 years for economic development projects.



Attachments

- ▶ Attachment 1: Debt Statement
- ▶ Attachment 2: List of Economic Development Projects

DISTRICT OF COLUMBIA

Debt Statement

As of June, 2008 (Includes anticipated borrowing through 9-30-08)

	Amount Outstanding (\$000)	% of total net tax- supported debt	Tax- able	Final Maturity	Callable?
1 General Obligation bonds					
2 Outstanding at 6-12-08	\$ 4,260,332				
3 Anticipated issuance summer 2008	350,000				
4 Subtotal General Obligation bonds	\$ 4,610,332	72%		Various	Various
6 Certificates of Participation					
7 2002 COPs for 441 Fourth St., NW	\$ 34,845			1/1/2013	Non-Callable
8 2003 COPs for Public Safety Communications Center	61,050			1/1/2023	1/1/2014
9 2006 COPs for St. Elizabeths and DMV projects	200,325			1/1/2026	1/1/2016
10 Subtotal COPs	\$ 296,220	5%			
12 TIF and PILOT Bonds [1]					
13 Gallery Place	\$ 68,045			7/1/2031	7/1/2012
14 Mandarin Oriental Hotel	32,619			7/1/2022	7/1/2012 [2]
15 Embassy Suites Hotel	6,375				
16 H & M	2,096		T		
17 Capitol Hill Towers	8,886				
18 DC-USA (issued by NCRC)	44,300		Note-T	2022	
19 Shakespeare Theater	10,000				
20 West Elm	5,000				
21 Zara	1,750				
22 Oyster School PILOT	10,260			11/1/2034	11/1/2010
23 DOT PILOT (issued by AWC)	108,730			12/1/2021	Non Callable
24 Subtotal TIFs and PILOTs	\$ 298,061	5%			
26 Other tax-supported debt					
27 Ballpark Revenue Bonds	\$ 526,415		T-TE	2/1/2036	2/1/2017
28 Verizon Center Revenue Bond	50,000		T	9/1/2047	Any time
29 Housing Production Trust Fund	33,570			6/1/2037	6/1/2017
30 Qualified Zone Academy Bonds (QZAB)	6,714		T	Various	
31 Subtotal Other tax-supported debt	\$ 616,699	10%			
34 Other Debt					
35 Washington Convention Center Authority	\$ 480,845			10/1/2036	10/1/2016
36 Capital Lease	17,558				
37 Master equipment lease program	109,311				
38 Subtotal Other debt	\$ 607,714	9%			
40 Total tax-supported District debt	\$ 6,429,026	100%			

Other Debt not included in tax supported debt:

Tobacco Bonds	\$ 724,484
Water and Sewer Authority	\$ 1,032,233

[1] Includes TIF projects issued; excludes projects still in escrow.

[2] \$6.65 mm is callable; balance non-callable

Summary of Economic Development Debt *

	Authorized Amount (\$ in millions)	
ISSUED TIF/PILOT Projects		
International Spy Museum TIF	0.00	
Mandarin Oriental Hotel TIF	45.99	
Gallery Place Mixed Use Development TIF	73.65	
Embassy Suites Hotel TIF	11.00	
Capitol Hill Towers Development TIF	10.00	
DC-USA Retail Development TIF	46.90	
Shakespeare Theatre TIF	10.00	
H&M TIF (part of DRPA)	2.90	
West Elm TIF (part of DPRA)	5.00	
Zara TIF (part of DPRA)	1.75	
US Department of Transportation PILOT	140.00	
Total	\$347.19	
OTHER DEBT		
Verizon Center Revenue Bond	50.00	
Housing Production Trust Fund Revenue Bond	34.10	
Total	\$84.10	
TOTAL ISSUED	\$431.29	
AUTHORIZED TIF/PILOT Projects **		
		Proposed/Assumed Issuance Dates
Downtown Retail Priority Area TIF (DRPA)	17.35	FY 2009
Madame Toussauds TIF (part of DRPA)	3.00	FY 2009
Fort Lincoln Retail Priority Area TIF	10.00	FY 2009
Rhode Island Place Retail PILOT	7.20	FY 2009
Southeast Federal Center PILOT	90.00	FY 2009 - 2010
Capper Carrollsborg PILOT	55.00	FY 2009
Radio One TIF	8.00	FY 2010
Great Streets Retail Priority Areas TIF	95.00	FY 2009 - 2011
Total	\$285.55	
OTHER DEBT		
Housing Production Trust Fund Revenue Bond	190.00	FY 2009 - 2010
Convention Center Hotel TIF	187.00	FY 2009
Total	\$377.00	
TOTAL AUTHORIZED NOT YET ISSUED	\$662.55	
PROPOSED TIF/PILOT Projects		
Skyland Retail Priority Area TIF	40.00	FY 2009
Southwest Waterfront	198.00	FY 2014
O Street Market	46.50	FY 2009
Total	\$284.50	
TOTAL ISSUED, AUTHORIZED AND PLANNED	\$1,378.34	
REMAINING AUTHORITY WITHIN RECOMMENDED CAP	\$121.66	FY 2014
TOTAL ECONOMIC DEVELOPMENT DEBT	\$1,500.00	

* Rating agencies consider nearly all borrowing, with few exceptions such as the Tobacco Settlement Asset-Backed Bonds, tax supported debt.

** Excludes \$10.75 million authorized for Children's Museum, but not expected to be issued.