

PUBLIC HEARING
ON
BILL 19-193, THE INCOME TAX SECURED BOND
AUTHORIZATION AMENDMENT ACT OF 2011

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

The Honorable Jack Evans, Chairman

June 9, 2011 @ 9:30 a.m.
John A. Wilson Building
Room 120



Testimony of
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Good morning, Chairman Evans, members of the Committee. My name is Lasana Mack, Deputy Chief Financial Officer and Treasurer in the Office of the Chief Financial Officer, Office of Finance and Treasury. I am pleased to have the opportunity to testify today regarding Bill 19-193, the Income Tax Secured Bond Authorization Amendment Act of 2011.

The primary purpose of this bill is to increase amount of authorization for the District to issue Income Tax Secured Revenue Bonds (“Income Tax Bonds”). The initial authorization to issue Income Tax Bonds was \$2.92 billion. As you aware, Income Tax Bonds have been a successful financing tool for the District. They have garnered high credit ratings: AAA, the highest possible rating, from Standard & Poor’s, Aa1 from Moody’s, and AA+ from Fitch. These high ratings, which are higher than the ratings on the District’s General Obligation Bonds, allow the District to borrow to finance its capital program at lower interest rates, saving the District substantial amounts in debt service. As previously indicated, we have estimated the savings to be approximately \$20 million over the course of the four-year financial plan period. In addition, the District’s inaugural issuance of Income Tax Bonds was a national finalist and regional winner of the Deal of the Year Award by The Bond Buyer, the premier national municipal finance publication.

The District has now issued \$2.91 billion of the authorized \$2.92 billion of Income Tax Bonds, and therefore additional authority is needed in order for the District to issue additional Income Tax Bonds to finance approved projects in its on-going Capital Improvements Program. The currently

authorized amount has been almost completely utilized in a shorter time frame than initially anticipated, in part due to the issuance of Income Tax Bonds to refinance certain General Obligations Bonds at more favorable interest rates. However, it was contemplated at the time of the initial Income Tax Bonds authorization that there would be additional amounts authorized at a subsequent time.

The amount that this proposed legislation would authorize represents an additional authorization of \$2.3 billion, which represents the amount of additional Income Tax Bond financing planned in the Fiscal Year 2011-2016 Capital Improvements Plan. The amount of actual annual issuances is likely to vary to some extent from the existing capital plan, given that the District's capital plan is revised from year to year in the annual budget process. However, the bottom line is that approval of the proposed amendment will provide sufficient authorization for the District to issue additional Income Tax Bonds to finance its capital plan for the next several years.

In addition, the proposed legislation would add and amend certain other language in the statute in order to make the authorization for issuing Income Tax Bonds consistent with the existing authorization for issuing General Obligation Bonds. These items are essentially technical in nature, and do not represent significant changes to the statute.

Mr. Chairman, this concludes my prepared testimony. I would be happy to address any questions that you may have.