

PUBLIC HEARING

ON

**PR 19-368 “THE FISCAL YEAR 2012 INCOME TAX
SECURED REVENUE BOND AND GENERAL
OBLIGATION BOND ISSUANCE APPROVAL
RESOLUTION OF 2011”**

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

The Honorable Jack Evans, Chairman

**November 16, 2011; 11:00 a.m.
John A. Wilson Building, Room 412**



**Testimony of
Lasana K. Mack
Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury**

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

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Lasana Mack, Treasurer and Deputy Chief Financial Officer in the Office of the Chief Financial Officer, Office of Finance and Treasury. Thank you for the opportunity to present testimony regarding PR 19-368, the Fiscal Year 2012 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Approval Resolution of 2011. I am joined by David Clark, Director of the Capital Improvements Program in the Office of Budget and Planning within the OCFO. Also present is John McGaw, Director of the Capital Improvements Program in the Executive Office of the Mayor. At the conclusion of my testimony, we would be pleased to address any questions that the committee may have about the proposed resolution, including the bonds that it would approve or the capital projects slated to be financed by it.

The proposed resolution would approve the financing of a total of \$450.1 million of FY 2012 approved capital projects. These projects are associated with various agencies and functions of the District, including schools modernization, transportation, parks and recreation, public safety, public works, and information technology infrastructure. The capital projects to be financed pursuant to this proposed resolution have all been previously approved by the Council as a part of the District's capital budget process associated with the Fiscal Year 2012 Budget and Financial Plan or prior-year budgets.

The District issues long-term bonds annually to finance a major portion of its on-going Capital Improvements Program. Since 2009, our primary financing vehicle has been Income Tax Secured Revenue Bonds, a bond structure in which a portion of the District's personal income and business franchise tax revenues are used to pay debt service on the bonds. We intend to finance these approved capital projects via the issuance of Income Tax Secured Revenue Bonds. As you are aware, Mr. Chairman, the District's Income Tax Secured Revenue Bonds have garnered credit ratings of AAA, the highest possible rating, by Standard and Poor's, Aa1 by Moody's, and AA+ by Fitch. It is a successful financing tool that has produced millions of dollars of debt service savings for the District. As we have previously noted, the District's inaugural issuance of Income Tax Secured Revenue Bonds in 2009 was a national finalist and regional winner of the Deal of the Year Award by The Bond Buyer, the premier national municipal finance publication.

As indicated in its title, the proposed resolution also authorizes the issuance of general obligation bonds to finance the identified capital projects. The reason that the resolution is drafted in this manner is that it is best for the District to have the option to issue general obligation bonds in the event that for some unforeseen reason G.O. bonds become a more cost-effective or preferable option prior to the time of the bond sale. However, all indications are that income tax secured revenue bonds will continue to be a more cost-effective financing method for the District, based on their higher credit ratings. For the record, after consistent increases over the past decade, the ratings on the District's outstanding general obligation bonds are at their highest-ever levels of Aa2, A+ and AA- by Moody's, Standard and Poor's

and Fitch, respectively. These ratings are a reflection of the sound financial health of the District, and represent the existence of quality financial management by the District over the past decade-plus.

Mr. Chairman, members of the committee, this concludes my testimony. Mr. Clark, Mr. McGaw and I are prepared to address any questions that you may have.