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US House of Representatives

STATUS OF CONSTRUCTION OF THE CONVENTION CENTER

Testimony of Natwar M. Gandhi, Chief Financial Officer, before the Committee on Government Reform's Subcommittee on the District of Columbia

Good morning, Madam Chairwoman, Congresswoman Norton, and members of the Subcommittee. I am Natwar M. Gandhi, Chief Financial Officer for the District of Columbia. I am here today at your request to discuss the Office of the Chief Financial Officer's (OCFO) perspective on the status of the construction of the new Washington Convention Center.

The recent General Accounting Office (GAO) report on this subject, entitled "District of Columbia: Status of the New Convention Center Project" (November 30, 2001; GAO-02-182R), raises a number of concerns about the ongoing construction effort, especially with regard to the guaranteed maximum price and the timeliness of completion. Overall, I believe this report is a very good "heads up" to the District and the Congress about this important project and deserves serious attention. While disagreements on these kinds of issues may be common in the construction industry, particularly on large projects, we all have an interest in bringing this project to a successful and timely completion.

There is one major connection between the OCFO and this project, and that is the likely sufficiency of the sales taxes "dedicated" to cover debt service on the costs of the project for the next few years. I believe that dedicated stream will be sufficient to cover the debt service, and that no additional revenue will be required.

The revised FY 2002 budget for the District estimates dedicated taxes for the new convention center at \$65.3 million. However, we now believe the national economic recession and the aftermath of the events of September 11 likely will reduce that estimate by about \$5 million, to some \$60.3 million for FY 2002. We will have a more precise estimate of this number by March of this year.

This reduction in revenues should not affect the construction of the new convention center. The Washington Convention Center Authority (WCCA) has completed a study on this issue, which concluded that even if the dedicated taxes were to decline by \$26 million, to a total of about \$39 million, they could continue to operate the existing convention center and complete the new convention center as planned with minimal impact to their reserve funds. They can discuss the study in greater detail if you wish.

I believe the Chief Financial Officer's oversight authority over WCCA is adequate. Based on the local act that created the Board of Directors, I serve on the board of the convention center and, in that role, vote on all matters that come before the board for approval. I also have to approve the convention center's annual operating budget, which is over \$57 million for FY 2002. On matters relating to issuing bonds and adopting budgets and financial plans, the Chief Financial Officer has de facto veto authority. Additionally, as authorized by the District's FY 1997 Appropriations Act (Public Law 104-194), and extended through July 1, 2002 by the FY 2002 District of Columbia Appropriations Act (Public Law 107-96), the chief financial officer of the convention center reports to the general manager of the convention center and to me. Whether or not the latter relationship will continue in the future depends on the exact authorities given to the District's Chief Financial Officer by the Congress.

Madam Chairwoman, that concludes my testimony. I would be pleased to answer any questions you or the members may have.