PUBLIC OVERSIGHT HEARING ON

THE STATUS OF BASEBALL OPERATIONS AND FINANCING

Before the

Committee on Economic Development
Councilmember Sharon Ambrose, Chairman

and the

Committee on Finance and Revenue
Councilmember Jack Evans, Chairman

Council of the District of Columbia

November 28, 2005; 10:00 a.m.
Council Chamber

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

Good morning, Chairman Cropp, Chairman Evans, Chairman Ambrose, and members of the Committee on Finance and Revenue and the Committee on Economic Development. I am Natwar M. Gandhi, Chief Financial Officer for the District of Columbia, and I would like to offer brief remarks about the status of the financing for the baseball stadium.

But first, let me announce that last Wednesday Standard & Poor's upgraded the bond rating on the District's general obligation bonds to A+ from A. This is the highest bond rating the District has ever held, and it is a tribute to the hard work on the part of the Mayor and Council that we have reached this level of credibility with Wall Street. The upgrade is expected to result in lower interest rates on the general obligation bonds we are selling this week, and could save the District tens of millions of dollars in interest cost on our future borrowings during the next decade. Also last week, Moody's Investors Service changed their outlook on our rating to "positive" from stable, suggesting that we are in line to be upgraded within the next few years. Fitch Ratings already has the District's outlook as "positive." We will continue to work toward achieving higher bond ratings from both Moody's and Fitch.

Last December, the Council enacted the Ballpark Omnibus Financing and Revenue Act of 2004, which provided authority to issue up to $534.8 million in revenue bonds to finance a new baseball stadium in the District of Columbia. We have assembled a working group to accomplish this financing.

We expect to pay approximately $39 million annually in debt service for a bond issuance of $534.8 million. We have used sound assumptions to project that we will collect $58 million annually, on average, for the next 30 years from:

- the Ballpark Fee,
- a portion of the Utility Tax,
- taxes collected at the Ballpark, and
- rent paid by the team.

The projection for each of these revenue sources has varying reliability based on their known history. As a result, the rating agencies insist that our projections far exceed the annual debt service payments on the bonds.

If our revenue projections materialize, the Council and the Mayor can decide how to use any excess collections. The attached "Flow of Funds" depicts the financing.

We have met with rating agencies twice and continue to have regular conversations with them about how to obtain the best ratings on these bonds. As you know from the Council discussion on the Technical Amendments Act, their initial feedback included a requirement to collect the full $14 million of the Ballpark Fee in order to achieve investment grade ratings. We are continuing to have discussions with rating analysts and our financial advisors, and will make changes as necessary to ensure that we have the strongest possible security for bondholders given the pledged revenues. We believe we are on track to achieve the desired ratings.

Before we complete the financing, we must execute the lease agreement for the new stadium. The District signed the Baseball Stadium Agreement with Major League Baseball (MLB) in September 2004. Among other things, the agreement provided that MLB would make lease payments to the District of approximately $6 million annually, on average, for at least 30 years. In order to finance the stadium, the District must pledge these lease payments, along with the Ballpark Fee, utility gross receipts taxes on non-residential customers, and stadium-related taxes, to pay debt service on the baseball bonds.

The rating agencies and bondholders need assurance that the rent payments will be made every year on time. Major League Baseball understands why the District is requiring the lease to be adequately secured, and we are currently negotiating this term. However, we will not go to market until the lease is executed and approved by Council.

In summary, I assure you that the Office of the Chief Financial Officer will do what is necessary to ensure that the District executes an efficient and cost-effective investment-grade transaction. I look forward to continuing to work with the Mayor and the Council, and I welcome your questions on this stadium financing.

District Ballpark Financing Plan

Estimate as of 11/28/2005

(Amounts are in millions)

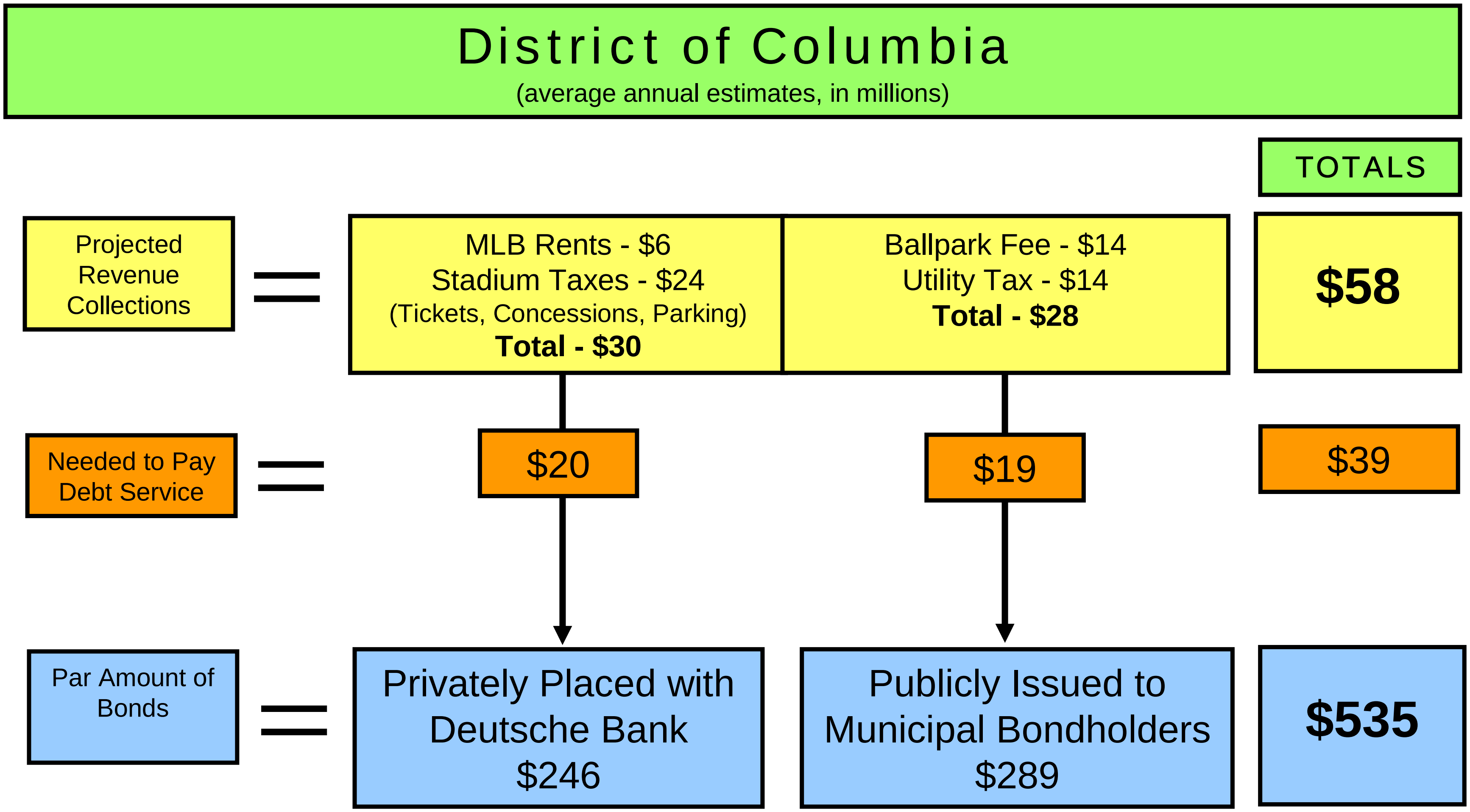
1	**Par Amount of Bonds Sold Publicly**	$289
2	**Par Amount of Bonds Privately Placed with Deutsche Bank**	$246
3	**Premium on Bonds**	$8
4	**Construction Interest Earnings**	$14
5	**2005 Revenues**	$32
6	**TOTAL SOURCES**	$589
7	**Net Funds Needed for Project**	$535
8	**Issuance Costs (Underwriter's Discount, COI, Surety, DB Fee, Other)**	$13
9	**Insurance**	$7*
10	**Debt Service Reserve Fund**	$20
11	**Interest Paid During Construction (from earnings)**	$14
12	**TOTAL USES**	$589
13	**Average Annual Debt Service on Publicly Sold Bonds**	$19
14	**Average Annual Debt Service on Privately Placed Bonds**	$20
15	**Total Average Annual Debt Service**	$39
16	**Interest Rate (calculated to 12/15/2005)**	$5.6%

* Cost of insurance on taxable bonds is embedded in DB interest costs.

ATTACHMENT 1

Flow of Funds

November 28, 2005



ATTACHMENT 2