

**PUBLIC ROUNDTABLE ON
THE DRAFT LEASE AGREEMENT,
THE “DISTRICT OF COLUMBIA SPORTS AND
ENTERTAINMENT COMMISSION AND BASEBALL
EXPOS, L.P., LEASE AGREEMENT”**

**Before the
Committee on Economic Development
The Honorable Sharon Ambrose, Chairman**

Council of the District of Columbia

**December 13, 2005, 10:00 a.m.
Council Chamber, John A. Wilson Building**



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

Good morning, Chairman Ambrose, members of the Committee on Economic Development, and other members of the Council. I am Natwar M. Gandhi, Chief Financial Officer. I am here to testify on the proposed lease agreement between Major League Baseball (“MLB”) and the Sports Commission (“SEC”) with respect to a new baseball stadium in Southeast D.C.

Funds are sufficient within the FY 2005-2009 General Fund financial plan and budget to support the proposed lease agreement. Any expenditures pertinent to the lease would be legitimate expenses of the Ballpark Revenue Fund. Activities related to the balance in this fund are projected to be sufficient to cover these transactions upon appropriation.

Under the proposed lease agreement, MLB will contribute \$20 million to the project. As shown in Attachment 1, other revenue streams to the Ballpark Revenue Fund include annual average collections of the Ballpark Fee (\$14 million); collections of sales tax revenue at the stadium from sales of food and concessions, tickets, and parking (\$24 million); rent to be paid by Major League Baseball, the team (\$6 million); and a 1 percent gross receipts tax paid by non-residential users of public utilities and toll telecommunications (\$14 million). These sources are projected to generate an average of \$58 million annually. These revenues finance the projected average \$38 million annual debt service payments on \$535 million in bond financing and the additional annual revenue coverage that will be required by lenders. In addition, the projected Ballpark Revenue Fund balances support the expected expenditures generated by the lease.

We have consistently said that the District would not issue more than \$534.8 million in bonds. We have structured all of our financing options within that number. Attachment 2 displays our current estimated sources and uses at the Southeast site. Our current estimated cost is \$631 million, as you can see in Attachment 3, my December 12 letter to Chairman Cropp. This amount, which does not include the cost of infrastructure, can be financed by raising no more than \$534.8 million in bonds.

The lease includes a \$20 million payment from MLB to be paid in 2008 as a contribution to the project budget, to be used for fixtures and equipment. Also, the SEC becomes liable for certain expenditures, including a \$1.5 million annual contribution to a Capital Reserve Fund beginning in March 2008, and will carry property damage and liability insurance for the stadium costing an expected \$1.5 million annually beginning in 2008. These are legitimate expenses of the Ballpark Revenue Fund.

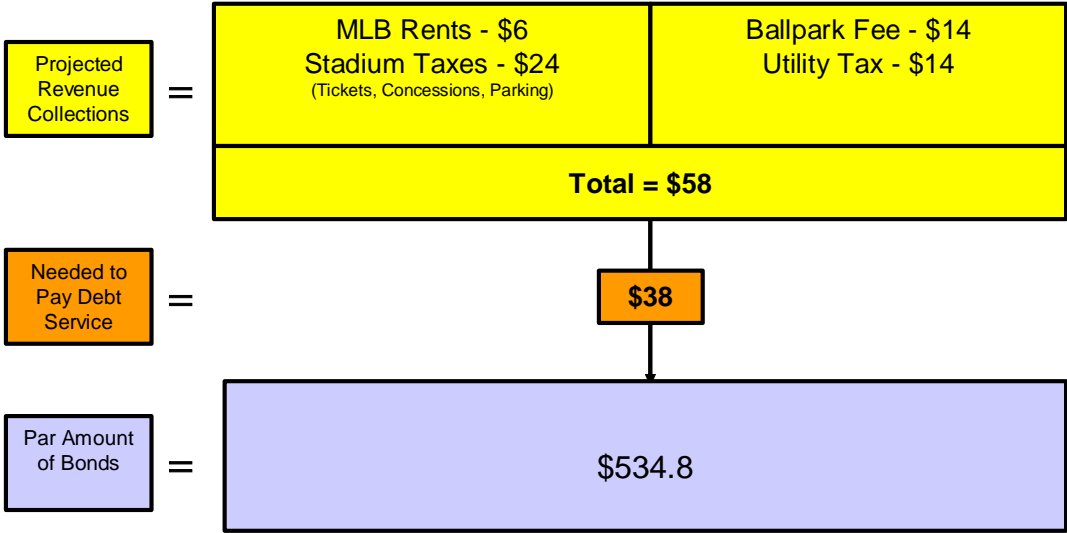
Because of the design of the Ballpark Revenue Fund, the conditions of the lease will be met now and through 2037 with no expected impact on the General Fund, barring some catastrophic event.

Thank you for the opportunity to testify. I look forward to your questions.

Flow of Funds

December 13, 2005

District of Columbia
(average annual estimates, in millions)



Office of the Chief Financial Officer
 Ballpark Financing - Southeast Site
 Sources and Uses
 December 13, 2005
 (in millions)

1	Par amount of bonds	\$535
2	Premium	9
3	Construction interest earnings	30
4	2005 Revenues	37
5	MLB Contribution	20
6	Total Sources	\$631
7	Net funds needed for project	601
8	Issuance costs (underwriters' discount, COI, Surety, Fees, Other)	13
9	Insurance	8
10	Debt Service Reserve Fund	0
11	Interest paid during construction (from earnings)	9
12	Total Uses	\$631
13	Average Annual Debt Service	\$38
14	Interest Rate	5.4%