

PUBLIC HEARING

ON

**PR 20-411 "THE FISCAL YEAR 2014 INCOME TAX
SECURED REVENUE BOND AND GENERAL
OBLIGATION BOND ISSUANCE APPROVAL
RESOLUTION OF 2013"**

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

The Honorable Jack Evans, Chairman

**October 9, 2013
9:30 a.m.
John A. Wilson Building
Room 120**



**Testimony of
Jeffrey Barnette
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 Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer in the Office of the Chief Financial Officer, Office of Finance and Treasury. Thank you for the opportunity to present testimony regarding PR 20-411, the Fiscal Year 2014 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Approval Resolution of 2013. I am joined by David Clark, Director of the Capital Improvements Program in the Office of Budget and Planning within the OCFO. 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 financing a total of \$1.262 billion to fund \$1.087 billion of FY 2014 approved capital projects and to refinance up to \$174.9 million of outstanding Certificates of Participation (COPs).

The capital projects are associated with various agencies and functions of the District, including school 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 2014 Budget and Financial Plan or prior-year budgets.

The COPs Series 2003 was issued to fund DC-NET and the Unified Communication Center, and the COPs Series 2006 was issued to fund Saint Elizabeth's Hospital and the

DMV Building. The proposed resolution would authorize the District to refund a portion of the outstanding COPs with Income Tax Secured Revenue Bonds to realize debt service savings.

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. However this year we intend to finance the approved capital projects using a combination of issuance of General Obligation Bonds and Income Tax Secured Revenue Bonds.

As indicated in its title, the proposed resolution authorizes the issuance of both general obligation bonds and income tax secured revenue bonds to provide flexibility to finance the identified capital projects. Based on the current market conditions, it is prudent for the District to utilize General Obligation bonds when pricing between the two credits is narrow, to save capacity in the income tax credit. Therefore, this year we intend to finance the approved capital projects using a combination of issuance of General Obligation Bonds and Income Tax Secured Revenue Bonds. The ratings on the District's outstanding general obligation bonds are at their highest-ever levels of Aa2, AA- and AA- by Moody's, Standard and Poor's and Fitch, respectively. The District's Income Tax Secured Revenue Bonds have garnered credit ratings of AAA, the highest possible rating, by Standard and

Poor's; Aal by Moody's, and AA+ by Fitch.

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 and I are prepared to address any questions that you may have.