

**PUBLIC ROUNDTABLE ON
PR 15-238, “GENERAL OBLIGATION BOND ISSUANCE
APPROVAL RESOLUTION OF 2003”**

**Before the
Committee of the Whole
Council of the District of Columbia**

The Honorable Linda W. Cropp, Chairman

**June 24, 2003, 2:00 p.m.
Council Chambers**



**Testimony of
N. Anthony Calhoun
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 Cropp and members of the Committee of the Whole. I am Anthony Calhoun, treasurer and deputy chief financial officer for finance and treasury in the Office of the Chief Financial Officer. Thank you for the opportunity to appear before you today to present testimony on the proposed “General Obligation Bond Issuance Approval Resolution of 2003” (the “Bond Resolution”). Appearing with me is Lasana Mack, associate treasurer, who is here to assist me in addressing any questions that you may have at the conclusion of my testimony. In my testimony today, I will briefly address the amount and timing of the proposed bond issuance, the District’s recent bond rating upgrade, and the impact of this proposed borrowing and the rating upgrade on the District’s budget.

Borrowing Amount and Timing

As the Bond Resolution indicates, the proposed borrowing amount is approximately \$339 million. The projects to be financed through this bond issuance were approved as part of the FY 2003 Capital Improvement Plan, and this amount of capital project financing in FY 2003 is consistent with the recently completed Proposed FY 2004 Budget and Financial Plan and Capital Improvement Plan. We are again borrowing toward the end of the fiscal year, and most of the proceeds of this borrowing (\$279 million) will be used to reimburse District operating cash that was fronted for capital spending that has already occurred in FY 2003 on approved projects. As you are aware, in recent years we have borrowed late in the fiscal year to prevent having large amounts of unspent bond proceeds on hand for prolonged periods. However, the spending patterns over the past couple of years indicate that borrowing earlier in the fiscal year may be warranted, and we will consider this as we approach the FY 2004 borrowing.

Rating Upgrades and Impact on the District's Budget

The proposed bond issuance associated with the Bond Resolution would have no impact on the FY 2003 budget, as there would be no debt service on these bonds in FY 2003. The projected debt service expense on these bonds in FY 2004 is included in the District's Proposed FY 2004 Budget and Financial Plan.

The recent upgrade of the credit rating on the District's general obligation bonds, from "BBB+" to "A-" by both Fitch Ratings and Standard & Poor's, is obviously a significant achievement for the District, and we congratulate and commend you, Chairman Cropp, and your colleagues on the Council for this upgrade and your contributions to it. This upgrade will allow the District to borrow at lower interest rates and, therefore, will produce debt service savings to the District with each new bond issuance and on the District's outstanding variable-rate bonds. The magnitude of such savings in FY 2004 is expected to be approximately \$1 million, and such savings will compound in future years.

Madame Chairman, this concludes my testimony. We are prepared to address any questions that the committee may have.

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