



District of Columbia
(Washington, D.C.)

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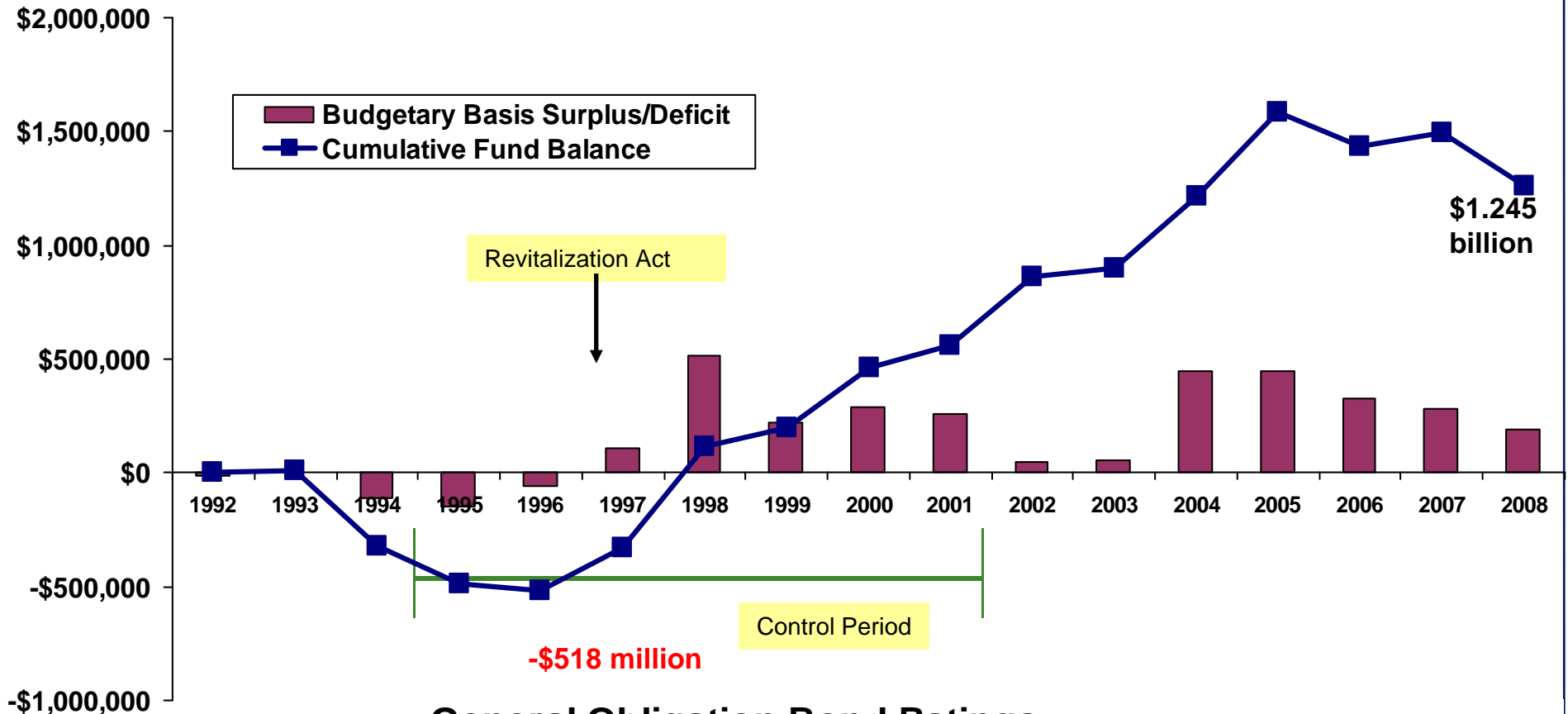
Presentation to NAST on the District's new
Income Tax Secured Revenue Bonds
As an Innovative Financing Tool

August 31, 2009



Surplus and Bond Rating History

District of Columbia



General Obligation Bond Ratings

S&P:	A-	A-	A-	BBB-	B	B	BB	BBB	BBB	BBB+	BBB+	A-	A	A+	A+	A+	A+
Moody's:	Baa	Baa	Baa	Ba	Ba	Ba2	Ba1	Ba1	Baa3	Baa3	Baa1	Baa1	A2	A2	A2	A1	A1
Fitch:		A-	BBB+	BB	BB	BB	BB+	BB+	BBB	BBB	BBB+	A-	A-	A	A	A+	A+

2009 Income Tax Secured Revenue Bonds: S&P: AAA Moody's: Aa2 Fitch: AA



District of Columbia

Overview

- In March 2009, the District established the Income Tax Secured Revenue Bond Program as an alternative means of financing and refinancing its ongoing Capital Improvements Program.
- The ratings on the Bonds are AAA/Aa2/AA by S&P, Moody's and Fitch, respectively
- Issuance of Income Tax Secured Bonds will be subject to the District's new overall debt ceiling, which dictates that all District tax-supported debt shall not exceed 12% of the District's total general fund expenditures

** Preliminary, subject to change*



District of Columbia

Legal Framework

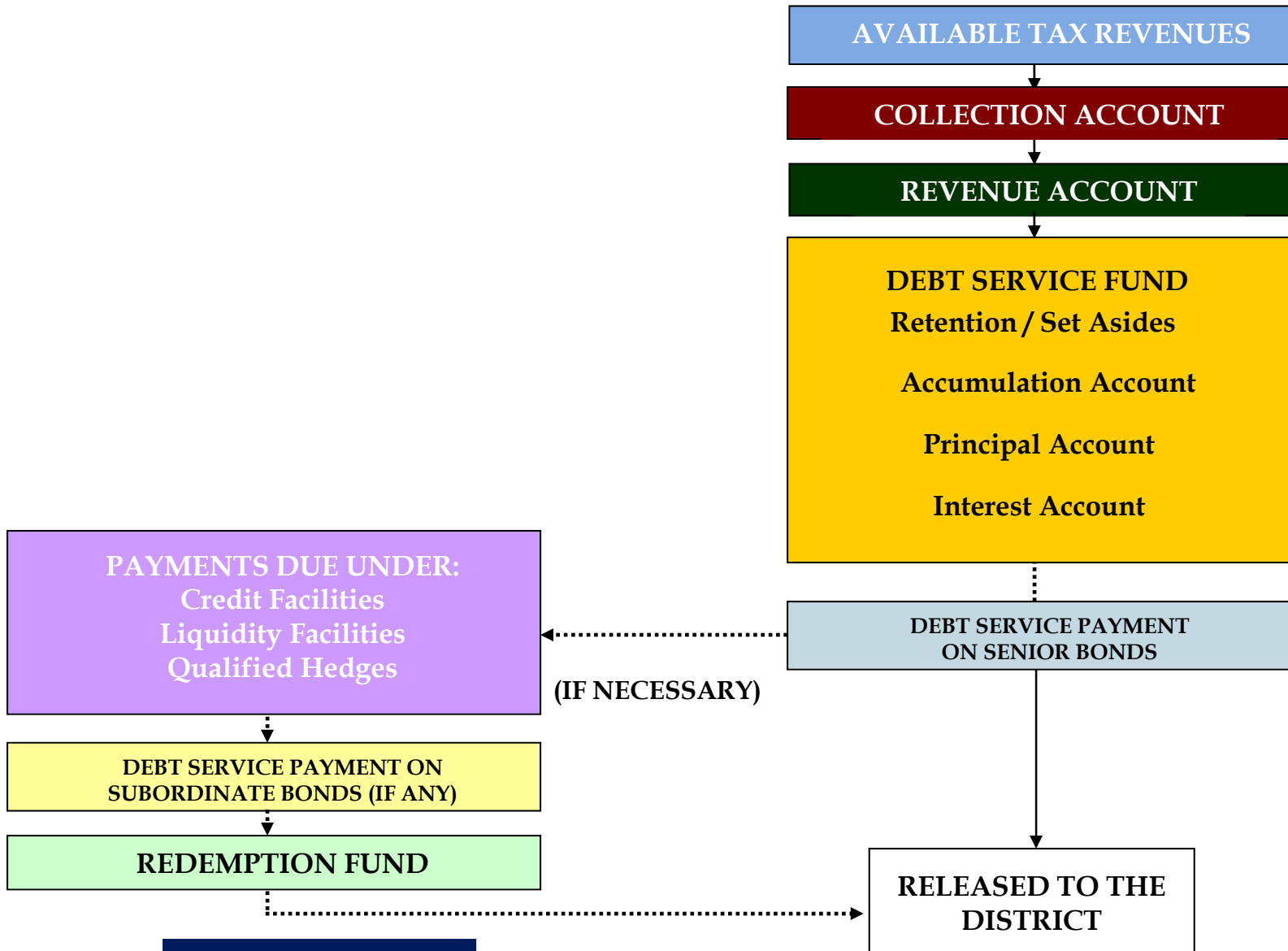
Covenants and Other Legal Matters

- **Bankruptcy Ineligibility:** In the opinion of the Office of the Attorney General of the District of Columbia, under existing law, the District is not eligible to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code.
- **Non-Impairment Covenant:** The District has covenanted in the authorizing Act and the Indenture not to (i) limit or alter the revenues pledged to secure the Bonds or the basis on which such revenues are collected or allocated below the amounts necessary to pay debt service on the Bonds and (ii) not to impair either (a) the contractual obligations of the District to fulfill the terms of any agreement made with the Bondholders or (b) the rights and remedies of the Bondholders. However, the District may modify tax rates or the income subject to those rates so long as the withholding portion of the individual income tax for any 12 consecutive months out of the preceding 15 months equals or exceeds 2.0x the maximum annual debt service on the outstanding Senior Bonds.
- **No Appropriation Risk:** The District's Home Rule Act exempts payment of debt service on the Bonds from the general requirement that funds not be expended without an appropriation.
- **Additional Bonds Test:** The District cannot issue Additional Bonds on a parity with the Bonds unless the Chief Financial Officer files a certificate with the Bond Trustee certifying: (i) the amount of the Available Withholding Tax Revenues for a 12 consecutive month period of the immediately prior 15 months applicable to the Fiscal Year in which such Additional Bonds are to be issued or Senior Obligations are to be incurred, (ii) the amount of the Available Tax Revenues for the same 12 consecutive month period of the immediately prior 15 months, and (iii) the amount of the Maximum Annual Debt Service that will be due on the Senior Bonds (including the proposed Additional Bonds) and Senior Obligations in any subsequent Fiscal Year. The certificate must show that the Available Withholding Tax Revenues in clause (i) at least equals 2.00x the Maximum Annual Debt Service amount in clause (iii) and that the amount of Available Tax Revenues in clause (ii) at least equals 3.00x the Maximum Annual Debt Service amount in clause (iii).



District of Columbia

Master Indenture of Trust: Flow of Funds

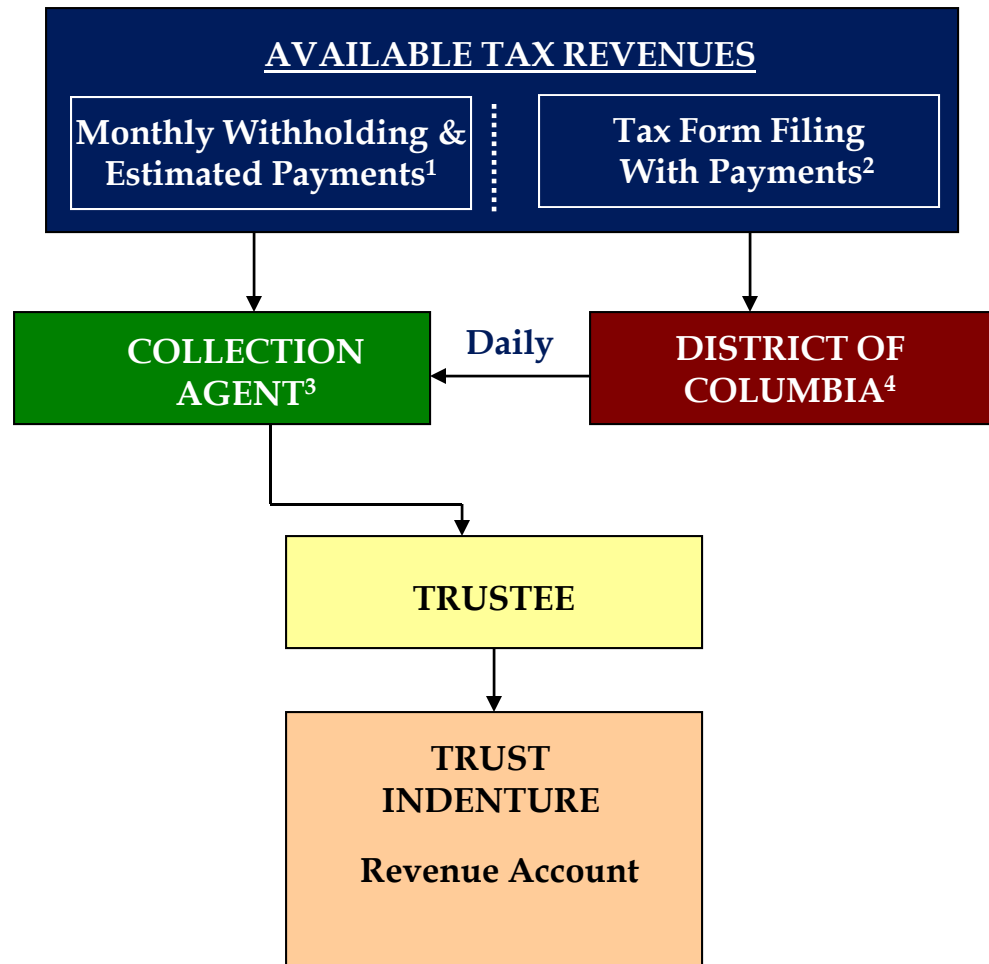




District of Columbia

Revenue Collection Process and Retention Policy

Revenue Collection Process



¹ FY2008 Receipts \$1.3 billion (73%)

² FY2008 Receipts \$507 million (27%)

³ Collection Agent maintains collection account as agent of the Trustee

⁴ District Office of Tax and Revenue segregates checks for deposit with the Trustee



District of Columbia

Collection of Tax Revenues

Payments of business franchise and individual income taxes are received by both the Collection Agent and the District

Received Directly by the Collection Agent

- Withholding (including Automated Clearing House)
- Individual Estimated Income Tax
- Corporate Estimated Franchise Tax
- Unincorporated Estimated Franchise Tax
- **FY2008 Receipts \$1.3 billion (73%)**

Received Initially by the District¹

- Individual payments with returns
- Corporate payments with returns
- Unincorporated payments with returns
- **FY2008 Receipts \$507 million (27%)**

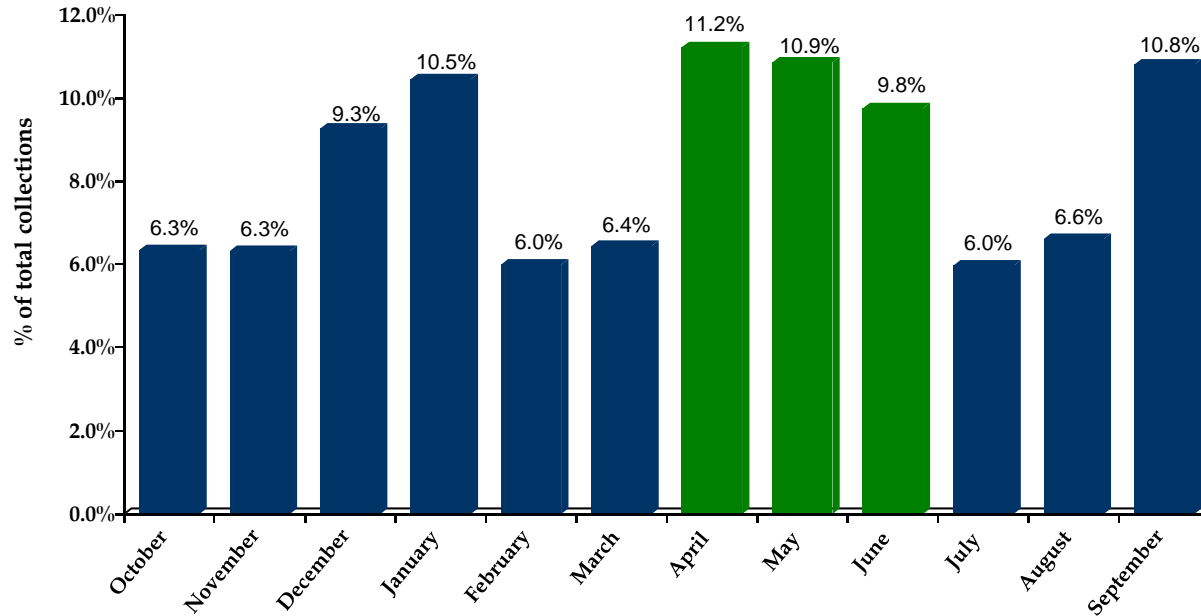
¹ Confidentiality considerations require the District to receive tax returns directly.



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Retention Policy

Average Available Tax Revenues by Month Since 1970



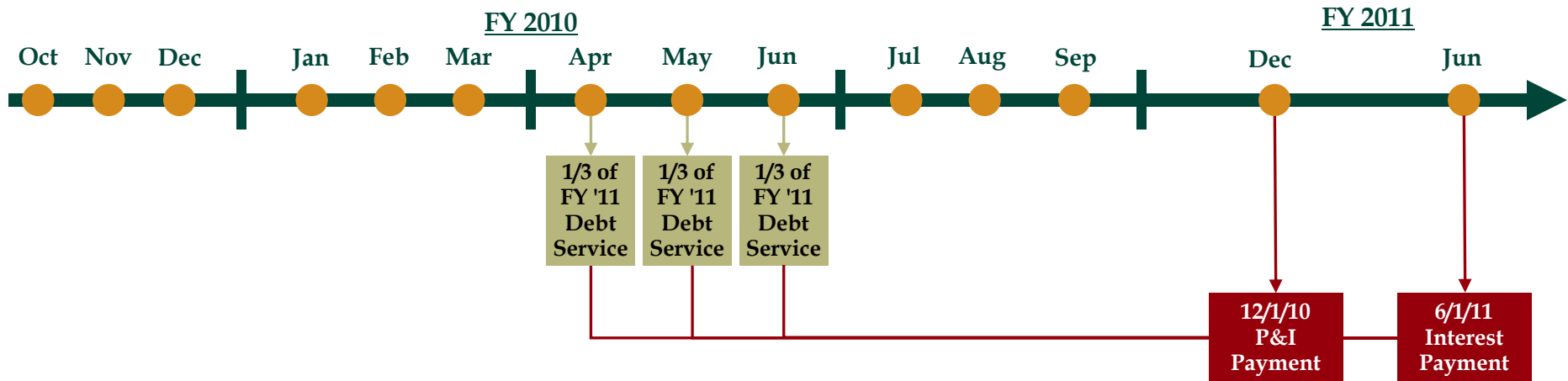
- Historically, April, May, and June have provided the highest income tax collections of any quarterly period



District of Columbia

Retention Policy

Monthly Revenues and Debt Service Retention¹



- The retention policy incorporates historical collection figures and will capture revenues well in advance of debt service payments to give substantial collection cushion and adequate opportunity for true-up
 - Debt service for the following fiscal year is set aside in equal deposits of 1/3 in April, May and June of the current fiscal year
 - The requirement is cumulative - any shortage in one month becomes part of the funding obligation in the subsequent months until the entire requirement is set aside

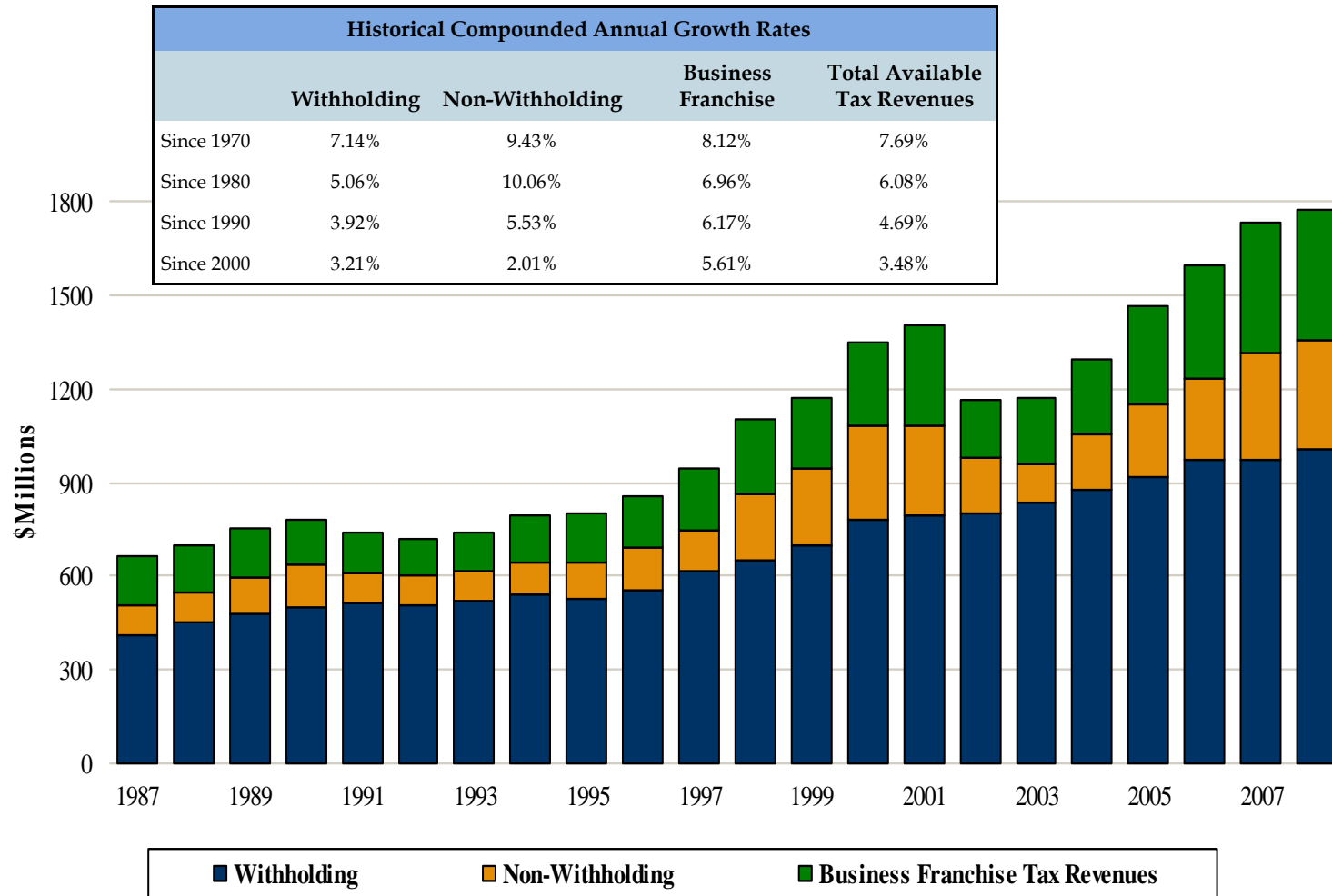
¹ In addition, funds of the District will be separately deposited to the interest account to pay initial debt service on the Series 2009C Bonds due on December 1, 2009 and June 1, 2010, 60 days prior to such dates



District of Columbia

Pledged Revenues

Detail of Historical Revenues





District of Columbia Economy

District of Columbia

- In many ways, the District's economy is doing better than the nation as a whole (in part due to the Federal Government's presence), but there are signs of the recession's impact
- The current forecasts assume that economic conditions will continue to deteriorate as employment and wages edge downward, commercial property vacancies rise, real property transfers slow further, and construction projects are delayed

Housing

- Single-family home sales increased 22.4% in the three months ending in May 2009, but average prices were down 21.2%, compared to the same period of 2008
- In the same 3-month period, condo sales were up 3.2%, and prices were up 8.7% compared to a year earlier

Labor Market

- Resident unemployment rate rose from 5.9% in December 2007 to 10.7% in May 2009 (seasonally adjusted), compared to 4.9% and 9.4% nationwide. This sharp increase in resident unemployment showed that the District labor market is not immune to general problems in the nation's economy

Tourism/Hospitality Industry

- Hotel revenues in March-May 2009 were down 10.9% from the same period in 2008
- Also for March-May, the number of airline passengers at the three Washington area airports were down 5.7% from the same period 2008

Commercial Office Market

- In the 2nd quarter of 2009, commercial office space had a vacancy rate of 9.5% (including sublet), increasing 1.2% over the previous quarter. Still, D.C.'s vacancy rate remains lower than that of suburban Maryland (12.8%) and Northern Virginia (12.9%)

Despite Budget Challenges, Maintaining Fiscal Discipline and Credit Ratings

District of Columbia

- Four consecutive declines in quarterly revenue estimates, totalling approx. \$1 billion in FY 2010.
- The Mayor and Council, with the assistance of the Office of the Chief Financial Officer, took actions each time to make the necessary cuts and/or revenue enhancements to address the revenue shortfall and bring the budget back into balance. Stimulus funds helped.
- Visited with all three rating agencies last month and updated them on our last revenue decline, our financial status generally, and our approach to addressing these matters.
- We are maintaining a healthy level cash reserves (rainy day funds).
- We are maintaining our credit ratings, as indicated by the recent reaffirming of our A+ GO ratings and our AAA/AA ratings on our Income Tax Revenue Bonds last month.

Successful Income Tax Revenue Bonds Transactions

District of Columbia

- Issued \$800 million in March 2009 and \$270 million in September 2009.
- Both issuances were well-received by investors, given the increased emphasis in the marketplace on strong credit quality.
- They were done for new-money capital projects and for refunding outstanding GO bonds, including some variable-rate bonds
- All-in TIC was 4.84% in the March issuance and 3.39% in the September issuance, with PV Savings of \$31 million on the current issuance.
- In summary, the new financing vehicle has been extremely successful.



District of Columbia

New Website

- Established a new website to promote District bond sales.

Information on District bond issuances can be found at:

www.buyDCbonds.com