

Debt Service

Repayment of Loans and Interest

Short-Term Borrowings

Certificate of Participation

Issuance Costs

Description	FY 2005 Approved	FY 2006 Proposed	% Change
Repayment of Loans and Interest	\$347,700,000	\$372,427,513	7.1%
Short-Term Borrowings	\$ 4,000,000	\$ 5,500,000	37.5%
Certificate of Participation	\$ 15,252,000	\$ 15,000,000	-1.7%
Debt Service Issuance Costs	\$ 0	\$ 40,000,000	100%
Total	\$366,952,000	\$432,927,513	18%

The mission of Debt Service administration is to finance the District's capital and cash flow needs as well as minimize costs associated with such financing, exercise fiscally responsible debt management practices and make timely payment of all principal and interest.

Timely debt service payments are necessary to satisfy the District's commitments to its investors (bondholders and financial institutions) and maintain good credit standing in the financial markets.

Under the District of Columbia Home Rule Act, the District may issue debt to finance capital projects or seasonal cash needs, subject to certain limitations.

Specifically, no long-term (general obligation) debt may be issued that would cause the highest future year debt service cost to exceed 17 percent of the projected general fund revenue of the fiscal year in which the debt is issued. No short-term (general obligation) debt may be issued in an amount that would cause total outstanding short-term debt to exceed 20 percent of the projected revenue of the fiscal year in which the debt is issued. Short-term debt must be

repaid by the end of the fiscal year in which it is issued.

As of September 30, 2004, the highest future year debt service cost represented 7.8 percent of general fund revenue, a decrease from 8.6 percent as of September 30, 2003. The District's total outstanding long-term debt as of September 30, 2004, was \$3.42 billion. The District issued \$250 million of short-term debt in FY 2004, and repaid such debt by September 30, 2004 as required. The District issued \$250 million of short-term debt in FY 2004, which will be repaid by September 30, 2005.

Appropriations are budgeted from Local funds in amounts sufficient to meet the required payments for the various types of debt service. Table 1 shows the source of funding for debt service.

Funding by Source

Tables DS0-1, ZA0-1, CP0-1 and ZB0-1 show the sources of funding by fund type for Debt Service.

Table DS0-1

FY 2006 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

Repayment of Loans and Interest

Appropriated Fund	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
Local Fund	250,649	303,397	347,700	372,428	24,728	7.1
Total for General Fund	250,649	303,397	347,700	372,428	24,728	7.1
Gross Funds	250,649	303,397	347,700	372,428	24,728	7.1

Table ZA0-1

(dollars in thousands)

Short-Term Borrowings

Appropriated Fund	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
Local Fund	3,288	2,570	4,000	5,500	1,500	37.5
Total for General Fund	3,288	2,570	4,000	5,500	1,500	37.5
Gross Funds	3,288	2,570	4,000	5,500	1,500	37.5

Table CP0-1

(dollars in thousands)

Certificate of Participation

Appropriated Fund	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
Local Fund	2,280	4,752	11,252	11,000	-252	-2.2
Total for General Fund	2,280	4,752	11,252	11,000	-252	-2.2
Intra-District Fund	0	0	4,000	4,000	0	0.0
Total for Intra-District Funds	0	0	4,000	4,000	0	0.0
Gross Funds	2,280	4,752	15,252	15,000	-252	-1.7

Table ZB0-1

(dollars in thousands)

Debt Service - Issuance Costs

Appropriated Fund	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
Local Fund	0	0	0	40,000	40,000	100.0
Total for General Fund	0	0	0	40,000	40,000	100.0
Gross Funds	0	0	0	40,000	40,000	100.0

Expenditures by Comptroller Source Group

Tables DS0-2, ZA0-2, CP0-2 and ZB0-2 show the FY 2006 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table DS0 - 2

FY 2006 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Repayment of Loans and Interest

Comptroller Source Group	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
80 Debt Service	250,039	303,397	347,700	372,428	24,728	7.1
84 Debt Svc Interest-gaap	610	0	0	0	0	0.0
Subtotal Nonpersonal Services (NPS)	250,649	303,397	347,700	372,428	24,728	7.1
Total Proposed Operating Budget	250,649	303,397	347,700	372,428	24,728	7.1

Table ZA0-2

(dollars in thousands)

Short-Term Borrowings

Comptroller Source Group	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
80 Debt Service	3,288	2,570	4,000	5,500	1,500	37.5
Subtotal Nonpersonal Services (NPS)	3,288	2,570	4,000	5,500	1,500	37.5
Total Proposed Operating Budget	3,288	2,570	4,000	5,500	1,500	37.5

Table CP0-2

(dollars in thousands)

Certificate of Participation

Comptroller Source Group	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
32 Rentals - Land and Structures	0	8,450	0	15,000	15,000	100.0
80 Debt Service	2,280	-3,698	15,252	0	-15,252	-100.0
Subtotal Nonpersonal Services (NPS)	2,280	4,752	15,252	15,000	-252	-1.7
Total Proposed Operating Budget	2,280	4,752	15,252	15,000	-252	-1.7

Table ZB0-2

(dollars in thousands)

Debt Service - Issuance Costs

Comptroller Source Group	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
80 Debt Service	0	0	0	40,000	40,000	100.0
Subtotal Nonpersonal Services (NPS)	0	0	0	40,000	40,000	100.0
Total Proposed Operating Budget	0	0	0	40,000	40,000	100.0

Gross Funds

The proposed Gross Funds budget is \$432,927,513, representing a change of \$65,975,513 or 18 percent from the FY 2005 approved gross budget of \$366,952,000. There are no FTEs for these fund accounts.

General Fund

Local Funds. The proposed Local budget for Repayment of Loans and Interest is \$372,427,513, an increase of \$24,727,513 or 7.1 percent over the FY 2005 approved budget of \$347,700,000. For Short-Term Borrowings, the proposed Local budget is \$5,500,000, an increase of \$1,500,000 or 37.5 percent over the FY 2005 approved budget of \$4,000,000. For the Certificate of Participation, the proposed Gross fund budget is \$15,000,000, a decrease of \$252,000 or 1.7 percent from the FY 2005 approved budget of \$15,252,000. For Issuance Costs, the proposed Local budget is \$40,000,000. This is a new agency for FY 2006.

Debt Service represents principal and interest payments associated with the District's financing activities. Consistent with prudent fiscal policies, the District finances the construction or acquisition of capital assets by issuing debt, such that its long-term capital assets are paid for over the course of their useful lives by the current and future-year taxpayers that benefit from such assets. Debt Service for the District includes payments associated with four different financing methods:

- **Repayment of Loans and Interest (DS0)** represents debt service (principal and interest) and related costs on long-term general obligation bonds, which are associated with the District's borrowings to finance capital improvement projects for General Fund agencies. For FY 2006, the proposed level of debt service for Repayment of Loans and Interest totals \$372,427,513.
- **Short-Term Borrowings (ZA0)** represents interest and related costs associated with District borrowings to meet short-term seasonal cash needs. For FY 2006, the proposed debt service for financing costs for short-term borrowing totals \$5,500,000.

- **Certificate of Participation (CP0)** represents semi-annual lease (principal and interest) payments and related costs due on land for the One Judiciary Square building located at 441 4th Street, NW and on the Unified Communications Center located on the East Campus of St. Elizabeths Hospital. For FY 2006, the proposed rent for the certificate of participation totals \$11,000,000.
- **Debt Services Issuance Costs (ZB0)** represents costs associated with the issuance of new debt. This may include bond insurance, capitalized interest, underwriters fees, other fees such as for bond counsel, disclosure counsel, financial advisors, escrow and paying agents, and printing costs. Debt service-issuance costs is a new agency for FY 2006. The proposed budget is \$40,000,000.

Intra-District Fund

Intra-District Funds. The proposed Intra-District budget for Certificate of Participation is \$4,000,000. This is no change from the FY 2005 approved Intra-District budget of \$4,000,000. The funds are for the Unified Communications Center (UCC)/DC-Net debt service. There are no FTEs supported by these funds.