

## **RESOLUTION No. 127/W/09**

of the Adjudication Panel of the Regional Chamber of Audit

in Warsaw

on 28 May 2009

on the assessment of the possibility of the redemption of bonds by **the Capital City of Warsaw**

Pursuant to article 13 pt. 1 and article 19 sec. 1 and 2 of the Act of 7 October 1992 on regional chambers of audit (consolidated text of 2001 Dz.U. [*Journal of laws*] No. 55, item 577 as amended) with regard to article 83 sec. 2 of the Act of 30 August 2005 on public finance (Dz.U. [*Journal of Laws*] No. 249, item 2104) - **the Adjudication Panel of the Regional Chamber of Audit in Warsaw:**

**Chair of the Panel:** - Teresa Gołębiewska

**Members:** - Bożenna Piotrowska

- Bożena Zych

hereby resolves as follows:

### **§ 1**

The Capital City of Warsaw has the possibility of the redemption of bonds in the amount of PLN 1 500 854 398 and is going to issue them in 2009.

### **§ 2**

According to article 83 sec. 3 of the act on public finance the justification shall be presented to all potential purchasers.

### **§ 3**

This Resolution may be appealed on to the Regional Chamber of Audit within 14 days from its delivery.

## **JUSTIFICATION**

The Mayor of the Capital City of Warsaw filed a request with the Regional Chamber of Audit in Warsaw regarding the possibility of the redemption of bonds in the amount equivalent to PLN 1 500 854 398.

Issuing its objective assessment, the Adjudication Panel of the Regional Chamber of Audit in Warsaw bases its conclusions on the analysis of the following documents:

1. Resolution No. XLV/1408/2008 of the Council of the Capital City of Warsaw of 11 December 2008 on the issuance of bonds of the Capital City of Warsaw and

determination of the principles for their acquisition and disposal as well as resolutions amending i.e. No. XLVII/1452/2009 of 19 January 2009 and No. LIII/1612/2009 of 23 April 2009.

2. Resolution No. XLV/1407/2008 of the Council of the Capital City of Warsaw of 11 December 2008 on the establishment of the budget of the Council of the Capital City for the year 2009.
3. The letter from the Mayor of the Capital City of Warsaw as of 4 May 2009 regarding the issue of an assessment; and the enclosed "Policy on Debt", together with the forecast of the City's debt in the years 2009-2033,
4. Information on the implementation of the budget of the Capital City of Warsaw for the year 2008 and QI of 2009 as well as implementation of incomes in the years 2005-2008.

In the aforementioned Resolution the Council of the Capital City of Warsaw set the following terms:

1. Revenue from the issuance of bonds in the domestic and foreign markets with a total nominal value not exceeding PLN 1 500 854 398 shall be allocated for the financing of the planned budget deficit in 2009, including an capex expenditures.
2. Redemption of bonds shall proceed according to their nominal value, and the bonds may be acquired on foreign market is planned in year 2014 and 2019 while on domestic market is planned in years 2014-2021.
3. The statement of the budget implementation in 2008 shows that the income of the Capital City of Warsaw was achieved at 103.2% of the planned amount, while expenditures were at 93.14% of the planned amount, current expenditures were at 95.7% of the planned amount and capex expenditures were at 84.1% of the planned amount. In QI of 2009 the income was achieved at 24.7% of the planned amount i.e. according to the passage of time.

The implementation of the incomes in years 2005-2008 was as follow:

2005 – PLN 7 335 601 370 an increased at 22,6% comparing to previous year

2006 – PLN 8 575 572 545 an increased at 16,9% comparing to previous year

2007 – PLN 9 751 470 692 an increased at 13,7% comparing to previous year

2008 – PLN 10 256 992 692 an increased at 5,2% comparing to previous year

4. The budget Resolution for the 2009 including introduced amendments as of 18 May 2009 plans:

- income of                      PLN 10 237 843 378

- expenditures of            PLN 12 720 779 350
- deficit of                    PLN 2 482 935 972

The Council of the Capital City of Warsaw indicated the sources of financing the deficit in the above amount. These are to be revenues from:

- the sale of securities issued by the City in the amount of PLN 1 500 854 398
- raised credits and loans in the amount of PLN 691 746 503
- privatisation of assets in the amount of PLN 19 500 000
- available funds in the form of surplus in cash on the current account of the budget, resulting from the settlement of credits and loans from previous years in the amount of PLN 251 756 645.

The Capital City of Warsaw planed in addition to raise credits and loans for payment of previous receivables in amount of PLN 208 253 497.

5. The debt forecast for the year 2009 shows that the anticipated ratio of income decline/growth from the year 2009 to the year 2021, i.e. in the period when, pursuant to the Resolution on bond issuance, the bonds in consideration, compared to the previous year, will run at the level of: decline of 1,56% in 2011, in remaining years growth: 2.9% in 2009, 14.3% in 2010, 7.3% in 2012, 4.4% in 2013, 0.17% in 2014, 2.7% in 2015, 3.08% in 2016, 3.08% in 2017, 3.09% in 2018, 3.78% in 2019, 2.4% in 2020 and 2.1% in 2021.

Overall, liabilities in respect of the payment of the principal, instalments and interest from already-raised and expected loans and credits, and in respect of bond redemption and the payment of interest therefrom in the period 2014-2021, will constitute from 5.53% to 13.97% of the income planned in the period. The debt forecast indicates that redemption of bonds has been planned in one tranche for the year 2019 and constitute of 13.97% of the income planned in the period and may be reduced, since the issuance of bonds means that the redemption of bonds will be made at a single time at maturity dates of a given issuance, i.e. in the period 2014 and 2019 (on foreign market) and 2014 and 2021 (on domestic market). Therefore, the liabilities in respect of redemption of bonds in the period 2014 – 2021 may be changed.

The City's debt, referred to in article 170 of the Act on public finances, according to the forecast as at the end of years 2009-2019 will formed as follows:

- 2009 - PLN 4 450 216 944, which constitutes 43.6% of the planned income,
- 2010 - PLN 5 127 462 944, which constitutes 44.0% of the planned income,
- 2011 - PLN 6 305 662 944, which constitutes 54.9% of the planned income,
- 2012 - PLN 6 748 774 273, which constitutes 54.8% of the planned income,

- 2013 - PLN 7 047 118 175, which constitutes 54.8% of the planned income,
- 2014 - PLN 7 032 420 432, which constitutes 54.6% of the planned income,
- 2015 - PLN 6 833 497 919, which constitutes 51.7% of the planned income,
- 2016 - PLN 6 644 658 624, which constitutes 48.7% of the planned income,
- 2017 - PLN 6 486 049 646, which constitutes 46.2% of the planned income,
- 2018 - PLN 6 327 568 923, which constitutes 43.7% of the planned income,
- 2019 - PLN 4 671 814 098, which constitutes 31.1% of the planned income,
- 2020 - PLN 4 181 156 198, which constitutes 27.2% of the planned income,
- 2021 - PLN 3 686 891 506, which constitutes 23.5% of the planned income,

To conclude, the Adjudication Panel of the Regional Chamber of Audit in Warsaw, affirms that the analysis of presented by the Capital City of Warsaw documents indicates that legal requirements stipulated in article 169 and article 170 of the Act of 30 June 2005 on public finances have been fulfilled, i.e. the amounts of yearly liabilities in respect of the payment of loan and credit installments, together with interest, and in respect of the redemption of bonds and payment of interest therefrom, and the potential payment of amounts resulting from guarantees in the year 2019, are not going to exceed the limit of 15% of forecast income, and the total amount of debt as at the end of period 2009-2021 will be within the limits of 60% of income.

Providing the indicator of the income and debt amounts implemented in years 2005-2008 as well as strict or close implementation of the planed amounts adopted by the entity in income and debt prognosis, the Adjudication Panel of the Regional Chamber of Audit believes that the Capital City of Warsaw will have the possibility to redeem in 2019 the bonds that are to be issued.

*[illegible signature and stamp of]*: The Chair of the Adjudication Panel of the Regional Chamber of Audit in Warsaw, Teresa Gołębiowska, MA