Government of the District of Columbia
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Vincent C. Gray**
Chairman, Council of the District of Columbia

FROM: **Natwar M. Gandhi**
Chief Financial Officer

DATE: JAN -2 2008

SUBJECT: **Fiscal Impact Statement (Revised)[1]: "Qualified Zone Academy Revenue Bonds Project Emergency Approval Resolution of 2007"**

REFERENCE: **No Number Available**

Conclusion

Funds are sufficient in the FY 2008 to 2011 budget and financial plan to implement the provisions of the proposed resolution. Beginning in FY 2009 an annual expenditure of approximately $157,333 will be needed to repay the principal amount of these bonds. The D.C. Treasurer has certified that there will be savings in the budget and financial plan for debt service expenditures on General Obligation (GO) bonds as a result of securing a lower-than-expected interest rate on the December 2007 bond issuance. Given this additional information, it has been determined that funds are now sufficient in the FY 2008 to FY 2011 budget and financial plan to cover these expenditures.

Background

The proposed resolution provides for the issuance, sale and delivery of Qualified Zone Academy Revenue Bonds (QZAB) in FY 2008 of $2.36 million. These bonds are special obligation, non-recourse bonds issued to support capital and other improvements to qualified public or public charter schools in the District of Columbia.

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[1] Revised to reflect expected savings in the budget and financial plan for debt service expenditures on GO bonds after securing a lower than expected interest rate on December 2007 bond issuance.

Interest on the bonds is repaid through federal tax credits, and tax credit allocations are received annually by the District from the US Department of Treasury. Principal is repaid at the end of the bond term (15 years) through a designated account that has been funded by the District over time through a portion of available real property tax revenues and interest accrued in such designated account. The first payment of $157,333 will be made in FY 2009.

Financial Plan Impact

Because the first principal repayment of this bond will not occur until FY 2009, no funds are required in FY 2008. Beginning in FY 2009 an annual expenditure of $157,333 will be needed to repay the principal amount of these bonds. No additional staff or resources will be required.

Funds are sufficient in the FY 2008 to FY 2011 budget and financial plan to fund $472,000 of principal repayments in FYs 2009-2011 given expected savings in the budget and financial plan for debt service expenditures on GO bonds as a result of securing a lower-than-expected interest rate on the December 2007 bond issuance.