

LONG-TERM DEBT SUMMARY

The City borrows money to finance large capital projects, such as buildings and utility infrastructure by issuing bonds. These financial obligations are paid off over time, typically 10 to 20 years. Our Moody's bond rating is Aa3 for voted bond issues and A1 for non-voted bond issues, judged to be of high quality by all standards. We are committed to maintaining our good credit. We make all debt service payments on time and maintain adequate reserves to address contingencies. We have relatively low outstanding debt and high debt capacity for future bonding needs.

Bonds

1. Limited Tax General Obligation Bonds (LTGO)

City Council approves a bond that will benefit the City as a whole. Principal and interest is paid from existing general revenues, subject to the levy limitation and the total tax limit. These are referred to as "Councilmanic" bonds.

2. Unlimited Tax General Obligation Bonds (UTGO)

A ballot measure is presented to voters authorizing the issuance of debt for a project that will benefit the City as a whole. The voters authorize an increase in taxes to repay the bond principal and interest. This issue may authorize the City to exceed levy limits on taxation (excess levy). It is subject to the total tax limitation, as discussed in the sections on Property Tax and Limitations.

3. Revenue Bonds

City Council approved bonds paid from revenues (not taxes) of a specific enterprise fund. Customers of these funds (water, parking, etc.,) pay a fee for services that cover operating and debt related costs.

4. Local Improvement District Bonds (LID)

Special assessments levied on properties that specifically benefit from the improvement being financed. LID's finance street, sewer, water and other capital projects. They are formed via two distinct methods: Resolution of Intention or Petition. The Resolution of Intention is initiated by the City. This method is rarely used and is generally limited to response to a health hazard. The Petition is initiated by area property owners. Both require the approval of a majority (the City prefers 70% approval) of the impacted property owners. Security for a LID bond issue is the real estate within the assessment boundaries. The City does not pledge its "full faith and credit" but is obligated to enforce the assessments. Consequently, interest rates on these bonds are also higher.

Legal Debt Capacity Limits

The amount of long-term debt that the City can incur is limited by state statute.

Washington's statutory limitation on non-voted general obligation debt for cities is one and one-half percent of the assessed value of all taxable property within the City at the time of issuance. Voter approval is required to exceed this limit. An election to authorize debt must have voter turnout of at least 40 percent of the last state general election, and of those voting, 60 percent must vote in favor of issuance.

Long-Term Debt

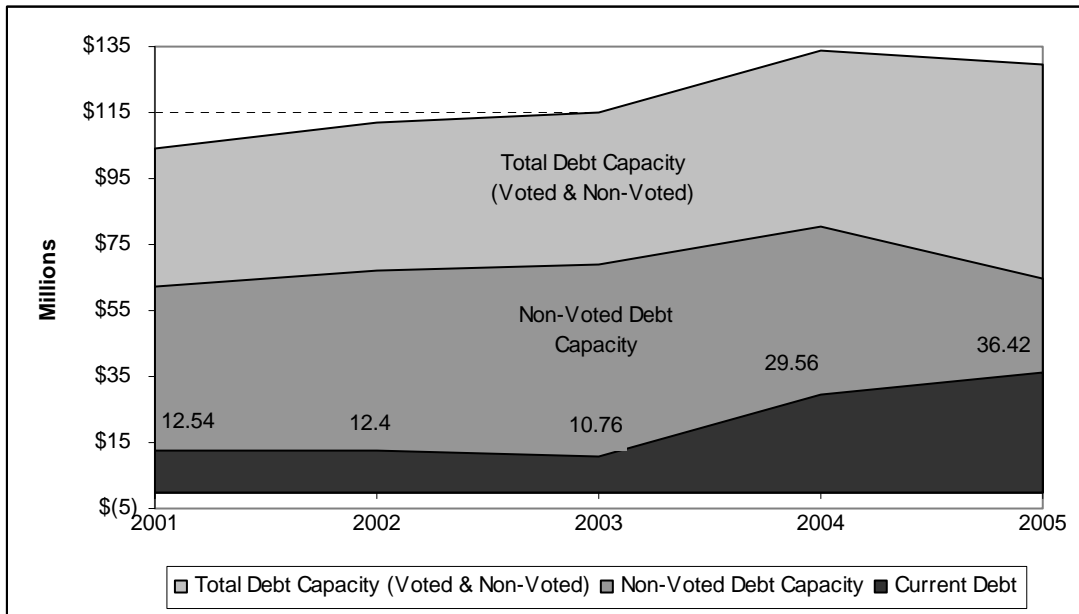
The combination of voted and non-voted general obligation debt for city purposes, including leases and contracts, may not exceed two and one-half percent of the assessed value of all taxable property within the City.

The assessed value of all property in the City for the 2006 tax year is \$6,635,005,499. This provides a non-voted general obligation debt capacity of \$99,525,082. The City has used \$34,613,276 of this capacity, leaving \$64,911,806 available. The City's total voted and non-voted general obligation debt capacity is \$165,875,137. Of this capacity, the City has utilized \$36,423,276. The remaining total voted and non-voted general obligation debt capacity is \$129,451,861.

Estimated Legal Debt Capacity Calculation As of 12/31/06

Assessed Value (2005 Tax Year)		\$6,635,005,499
Limited Tax General Obligation Debt Capacity (Nonvoted) @ 1 1/2% of Assessed Value		99,525,082
Less: Outstanding Limited Tax General Obligation Bonds	34,435,000	
Less: Other Debt Obligations	<u>178,276</u>	
Total Nonvoted Debt Outstanding		<u>34,613,276</u>
Total Remaining Limited Tax General Obligation Debt Capacity (Nonvoted)		<u>\$64,911,806</u>
Total General Obligation Debt Capacity @ 2 1/2% of Assessed Value		165,875,137
Total Nonvoted Debt Outstanding	34,613,276	
Total Voted Debt Outstanding	<u>1,810,000</u>	
Total Debt Outstanding		<u>36,423,276</u>
Total Remaining General Obligation Debt Capacity (Voted and Nonvoted)		<u>\$129,451,861</u>

Current Debt & Estimated Debt Capacity (in millions)



Long-Term Debt

General Obligation Debt

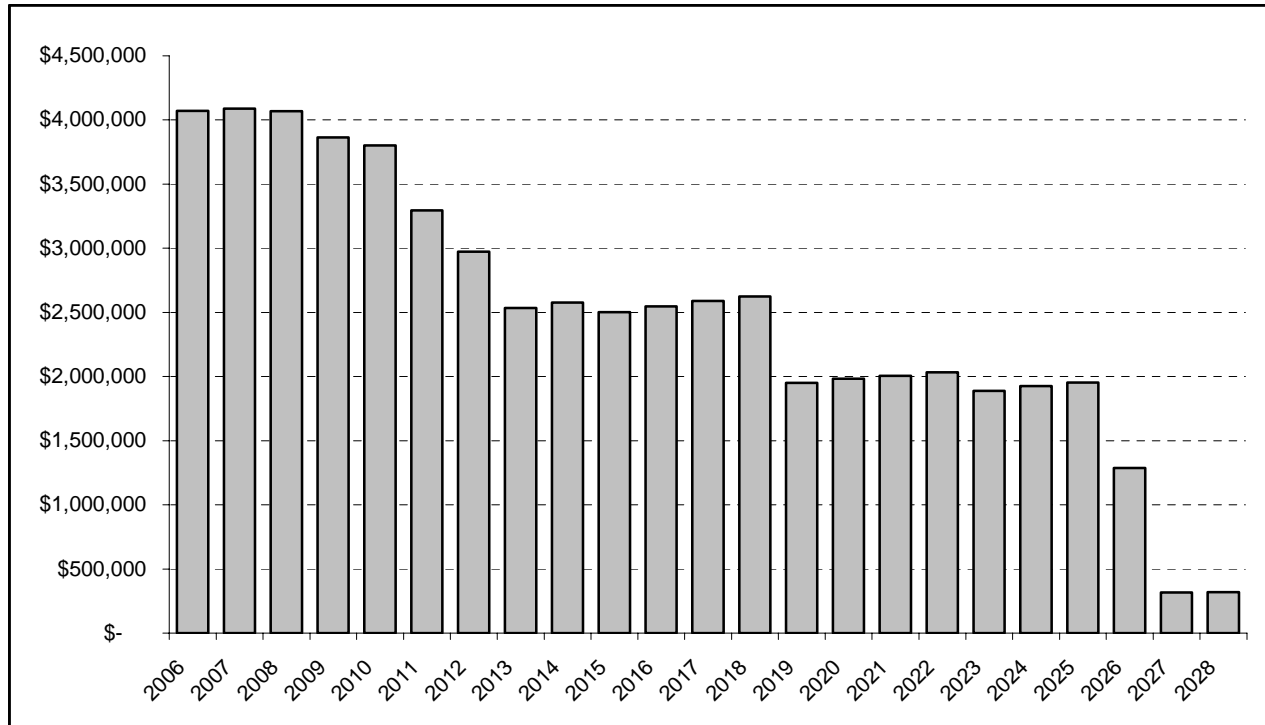
Outstanding General Obligation (GO) Bonds & Other Debt

Name of Issue	Issue Date	Maturity Date	Interest Rates	Original Amount	Redemptions as of 12/31/05	Unmatured Debt as of 12/31/05
Unlimited Tax GO Bonds						
1992 Fire UTGO Refunding	05/01/92	12/01/05	3.90%-6.45%	\$ 1,800,000	\$ 1,800,000	\$ -
2001 Fire UTGO	04/01/01	12/01/11	4.00%-4.40%	2,800,000	990,000	1,810,000
Total Unlimited Tax GO Bonds				4,600,000	2,790,000	1,810,000
Other General Obligation Debt						
Drake Property Note Payable	12/31/92	12/31/22	7.00%	225,000	46,724	178,276
Total Other General Obligation Debt				225,000	46,724	178,276
Limited Tax GO Bonds						
1996 Roeder LTGO Refunding	06/01/96	12/01/12	4.20%-5.65%	4,195,000	1,735,000	2,460,000
1999 Municipal Court LTGO	05/15/99	08/01/10	4.25%-4.75%	3,420,000	1,010,000	2,410,000
2002 Parking LTGO	08/08/02	10/01/12	3.74%-3.74%	1,045,000	250,000	795,000
2004 Sportsplex LTGO	08/05/04	12/01/28	2.00%-4.625%	4,315,000	205,000	4,110,000
2004 PFD/Civic/Refunding LTGO	11/09/04	12/01/26	2.25%5.00%	16,375,000	410,000	15,965,000
2005 Solid Waste LTGO	12/08/05	12/01/25	4.15%-5.4%	8,695,000	-	8,695,000
Total Limited Tax GO Bonds				38,045,000	3,610,000	34,435,000
Other Obligations						
Roeder Avenue PWTF Loan	04/29/87	04/01/07	1.00%	\$ 1,000,000	\$ 894,737	105,263
Woburn Street PWTF Loan	04/14/88	07/01/08	1.00%	1,000,000	841,228	158,772
Street Resurfacing PWTF Loan	07/01/02	07/01/22	0.50%	2,826,250	290,106	2,536,144
CERB Loan-Hannegan	09/23/85	09/23/05	7.00%	100,000	100,000	-
CERB Loan-Woburn	08/30/89	08/30/09	7.70%	1,133,082	756,823	376,259
Total Other Obligations				\$ 6,059,332	\$ 2,882,894	3,176,438
Total Long Term General Debt				\$ 48,929,332	\$ 9,329,618	\$ 39,599,714

Annual Debt Service Requirements To Maturity For General Obligation Debt

Year	Bond Principal	Bond Interest	Other Debt Principal	Other Debt Interest	Total Debt
2006	2,075,000	1,594,987	344,275	56,593	4,070,855
2007	2,165,000	1,523,800	351,142	47,924	4,087,866
2008	2,285,000	1,438,795	305,905	38,728	4,068,428
2009	2,230,000	1,344,517	260,942	29,491	3,864,950
2010	2,370,000	1,253,546	7,487	10,476	3,641,509
Future	25,120,000	10,117,973	2,084,963	137,869	37,460,805
	\$ 36,245,000	\$ 17,273,618	\$ 3,354,714	\$ 321,081	\$ 57,194,413

**Annual Cost of Principal and Interest Payments
On General Obligation Debt**



December 31, 2005

GO Bonds - Nonvoted	Balance	Payoff
1996 Refunding	2,460,000	2012
1999 Muni-Court	2,410,000	2010
2002 Parking	795,000	2012
2004 Sportsplex	4,110,000	2028
2004 PFD/Civic/Refunding	15,965,000	2026
2005 Solid Waste	8,695,000	2025
GO Bonds - Voted		
2001 Fire	1,810,000	2011
Other Debt		
Drake/Big Rock Garden	178,276	2022
Roeder PWTF Loan	105,263	2007
Woburn PWTF loan	158,772	2008
Street PWTF Loan	2,536,144	2022
CERB - Talbot	376,259	2009

Long-Term Debt

Local Improvement District Bonds

Debt service requirements for local improvement bonds are met by the collection of assessments levied against property owners. The assessments are liens against the property and subject to foreclosure. A local improvement district guaranty fund has been established as a reserve to meet debt service requirements on local improvement district debt in the event that assessment collections are insufficient.

Outstanding LID Assessment Debt

Name of Issue	Issue Date	Maturity Date	Interest Rates	Original Amount	Estimated Redemptions as of 12/31/05	Est. Unmatured Debt as of 12/31/05
LID 1099 Barkley	12/01/94	12/01/16	4.90%-7.50%	\$ 4,447,020	\$ 3,707,020	\$ 740,000
LID 1106 Bakerview Road	12/30/96	12/30/18	4.10%-6.00%	4,357,957	3,522,957	835,000
LID 1107/1108 Telegr/Brkly	12/01/97	12/01/14	4.15%-5.65%	1,317,472	1,027,472	290,000
Total LID Assessment Bonds				\$ 10,122,449	\$ 8,257,449	\$ 1,865,000

Estimated Debt Service Requirements On LID Assessment Debt

Year	Bond Principal	Bond Interest	Other Debt Total Debt
2006	-	120,993	\$ 120,993
2007	-	120,993	\$ 120,993
2008	90,000	118,832	\$ 208,832
2009	195,000	115,622	\$ 310,622
2010	1,280,000	102,497	\$ 1,382,497
Future	300,000	285,394	\$ 585,394
	\$ 1,865,000	\$ 864,331	\$ 2,729,331

Revenue Bonds

Debt service requirements for revenue bonds are paid from specific revenues of a city enterprise. Customers of these activities pay a fee for services, such as parking or utilities.

Outstanding Revenue Debt

Name of Issue	Issue Date	Maturity Date	Interest Rates	Original Amount	Redemptions as of 12/31/05	Unmatured Debt as of 12/31/05
Revenue Bonds						
1999 Water / Sewer	05/01/99	08/01/11	3.70%-4.60%	8,220,000	1,650,000	6,570,000
2004 Water / Sewer	05/01/04	08/01/24	3.00%-5.00%	10,690,000	1,140,000	9,550,000
Total Revenue Bonds				\$ 18,910,000	\$ 2,790,000	\$ 16,120,000
Other Obligations						
Water - Chuckanut PWTF	07/01/89	07/01/09	1.00%	\$ 593,809	\$ 468,796	\$ 125,013
Sewer - Silverbeach PWTF	06/01/91	07/01/11	2.00%	445,500	304,814	140,686
Watermain Replacement PWTF	07/01/02	07/01/22	0.50%	1,938,000	199,183	1,738,817
Denke Property Note	09/27/04	12/15/09	0.00%	3,000,000	500,000	2,500,000
Total Other Obligations				2,977,309	972,793	4,504,516
Total Long-Term General Debt				\$ 21,887,309	\$ 3,762,793	\$ 20,624,516

Annual Estimated Debt Service Requirements
On Revenue Debt to Maturity

Year	Bond Principal	Bond Interest	Other Debt Principal	Other Debt Interest	Total Debt
2006	\$ 1,860,000	\$ 669,589	\$ 656,984	\$ 12,758	\$ 3,199,331
2007	1,935,000	594,176	656,984	11,465	\$ 3,197,625
2008	2,020,000	526,564	656,984	10,172	\$ 3,213,720
2009	2,095,000	454,084	656,984	8,879	\$ 3,214,947
2010	2,205,000	371,401	625,731	7,586	\$ 3,209,718
Future	6,005,000	1,752,415	1,250,849	40,361	\$ 9,048,625
	\$ 16,120,000	\$ 4,368,229	\$ 4,504,514	\$ 91,220	\$ 25,083,966