

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. LIDs 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

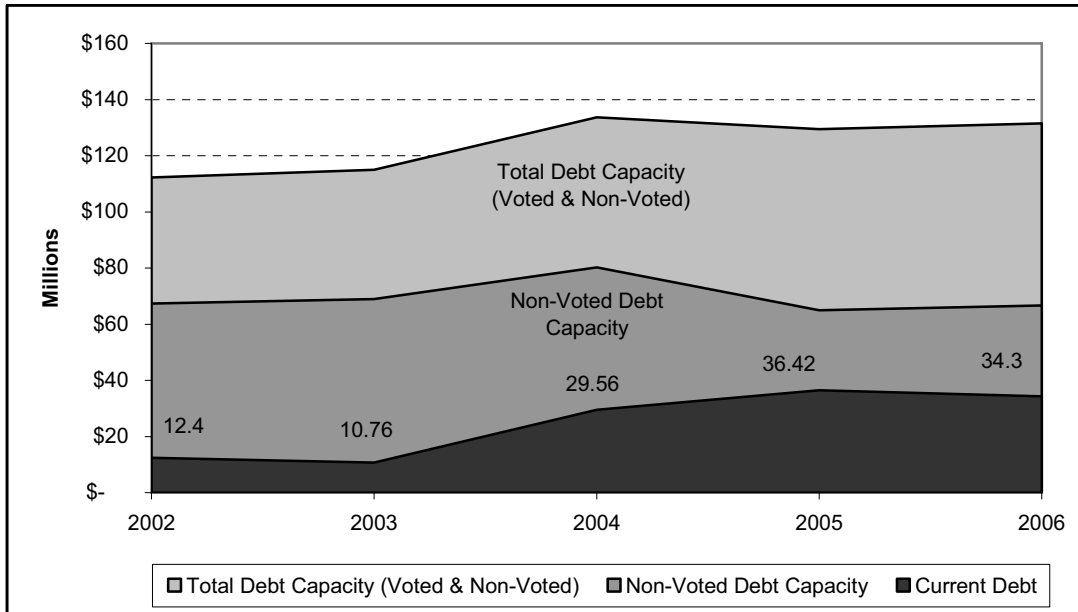
The combination of voted and non-voted general obligation debt for city purposes, including leases and contracts, may not exceed two and one-half percent of the assessed value of all taxable property within the City.

The assessed value of all property in the City for the 2007 tax year is \$6,868,648,539. This provides a non-voted general obligation debt capacity of \$103,029,728. The City has used \$32,802,613 of this capacity, leaving \$70,227,115 available. The City's total voted and non-voted general obligation debt capacity is \$171,716,213. Of this capacity, the City has utilized \$34,342,613. The remaining total voted and non-voted general obligation debt capacity is \$137,373,600.

Estimated Legal Debt Capacity Calculation As of 12/31/07

Assessed Value (2007 Tax Year)		\$6,868,648,539
Limited Tax General Obligation Debt Capacity (Nonvoted) @ 1 1/2% of Assessed Value		103,029,728
Less: Outstanding Limited Tax General Obligation Bonds	32,630,000	
Less: Other Debt Obligations	<u>172,613</u>	
Total Nonvoted Debt Outstanding		<u>32,802,613</u>
Total Remaining Limited Tax General Obligation Debt Capacity (Nonvoted)		<u><u>\$70,227,115</u></u>
Total General Obligation Debt Capacity @ 2 1/2% of Assessed Value		171,716,213
Total Nonvoted Debt Outstanding	32,802,613	
Total Voted Debt Outstanding	<u>1,540,000</u>	
Total Debt Outstanding		<u>34,342,613</u>
Total Remaining General Obligation Debt Capacity (Voted and Nonvoted)		<u><u>\$137,373,600</u></u>

Current Debt & Estimated Debt Capacity (in millions)



Long-Term Debt

General Obligation Debt

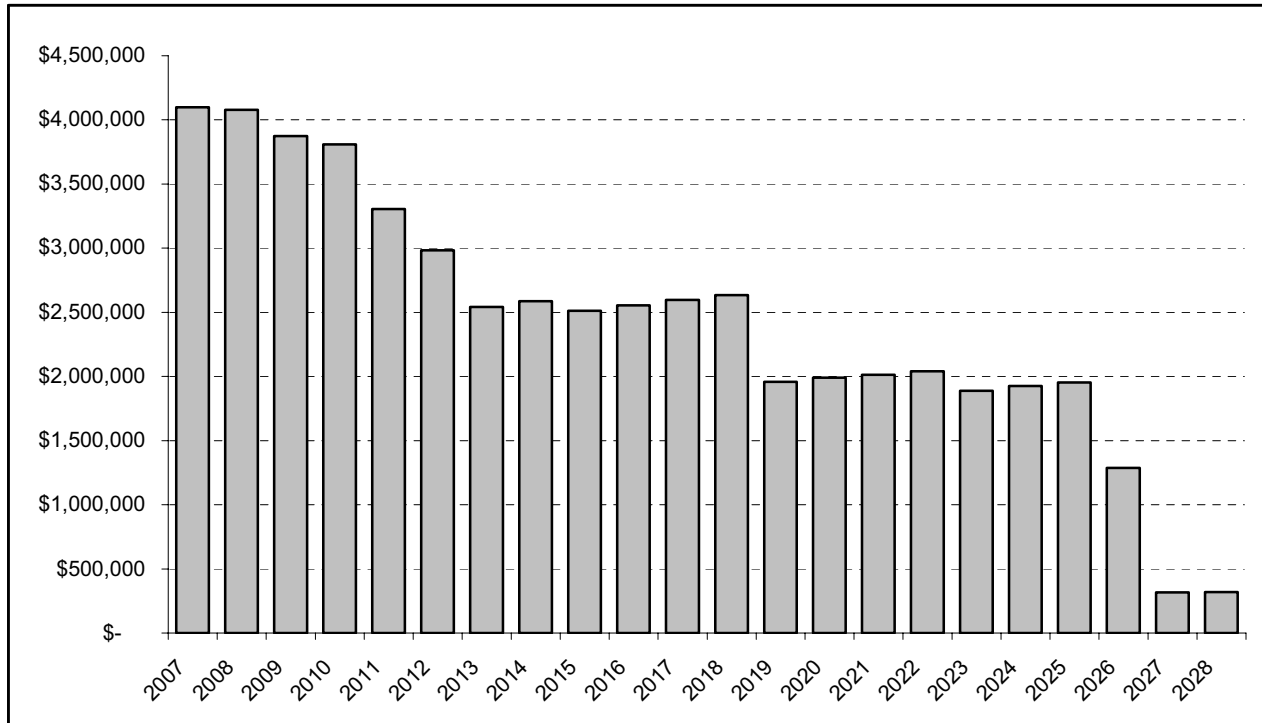
Outstanding General Obligation (GO) Bonds & Other Debt

Name of Issue	Issue Date	Maturity Date	Interest Rates	Original Amount	Redemptions as of 12/31/06	Unmatured Debt as of 12/31/06
Unlimited Tax GO Bonds						
2001 Fire UTGO	04/01/01	12/01/11	4.00%-4.40%	2,800,000	1,260,000	1,540,000
Total Unlimited Tax GO Bonds				2,800,000	1,260,000	1,540,000
Other General Obligation Debt						
Drake Property Note Payable	12/31/92	12/31/22	7.00%	225,000	52,388	172,612
Total Other General Obligation Debt				225,000	52,388	172,612
Limited Tax GO Bonds						
1996 Roeder LTGO Refunding	06/01/96	12/01/12	4.20%-5.65%	4,195,000	2,130,000	2,065,000
1999 Municipal Court LTGO	05/15/99	08/01/10	4.25%-4.75%	3,420,000	1,460,000	1,960,000
2002 Parking LTGO	08/08/02	10/01/12	3.74%-3.74%	1,045,000	350,000	695,000
2004 Sportsplex LTGO	08/05/04	12/01/28	2.00%-4.625%	4,315,000	300,000	4,015,000
2004 PFD/Civic/Refunding LTGO	11/09/04	12/01/26	2.25%5.00%	16,375,000	910,000	15,465,000
2005 Solid Waste LTGO	12/08/05	12/01/25	4.15%-5.4%	8,695,000	265,000	8,430,000
Total Limited Tax GO Bonds				38,045,000	5,415,000	32,630,000
Other Obligations						
Roeder Avenue PWTF Loan	04/29/87	04/01/07	1.00%	\$ 1,000,000	\$ 947,368	52,632
Woburn Street PWTF Loan	04/14/88	07/01/08	1.00%	1,000,000	894,152	105,848
Street Resurfacing PWTF Loan	07/01/02	07/01/22	0.50%	2,975,000	448,041	2,526,959
CERB Loan-Woburn	08/30/89	08/30/09	7.70%	1,133,082	840,695	292,387
Total Other Obligations				\$ 6,108,082	\$ 3,130,256	2,977,826
Total Long Term General Debt				\$ 47,178,082	\$ 9,857,644	\$ 37,320,438

Annual Debt Service Requirements To Maturity For General Obligation Debt

Year	Bond Principal	Bond Interest	Other Debt Principal	Other Debt Interest	Total Debt
2007	2,165,000	1,523,800	359,892	48,624	4,097,316
2008	2,285,000	1,438,795	314,655	39,384	4,077,834
2009	2,230,000	1,344,517	269,692	30,104	3,874,313
2010	2,370,000	1,253,546	165,422	20,742	3,809,710
2011	1,965,000	1,153,830	165,963	19,411	3,304,204
Future	23,155,000	8,964,144	1,874,814	112,174	34,106,132
	\$ 34,170,000	\$ 15,678,632	\$ 3,150,438	\$ 270,439	\$ 53,269,509

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



December 31, 2006

GO Bonds - Nonvoted	Balance	Payoff
1996 Refunding	2,065,000	2012
1999 Muni-Court	1,960,000	2010
2002 Parking	695,000	2012
2004 Sportsplex	4,015,000	2028
2004 PFD/Civic/Refunding	15,465,000	2026
2005 Solid Waste	8,430,000	2025
GO Bonds - Voted		
2001 Fire	1,540,000	2011
Other Debt		
Drake/Big Rock Garden	172,612	2022
Roeder PWTF Loan	52,632	2007
Woburn PWTF loan	105,848	2008
Street PWTF Loan	2,526,959	2022
CERB - Talbot	292,387	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 12/31/06	Est. Unmatured Debt as of 12/31/06
LID 1099 Barkley	12/01/94	12/01/16	4.90%-7.50%	\$ 4,447,020	\$ 4,012,020	\$ 435,000
LID 1106 Bakerview Road	12/30/96	12/30/18	4.10%-6.00%	4,357,957	3,707,957	\$ 650,000
LID 1107/1108 Telegr/Brkly	12/01/97	12/01/14	4.15%-5.65%	1,317,472	1,107,472	\$ 210,000
Total LID Assessment Bonds				\$ 10,122,449	\$ 8,827,449	\$ 1,295,000

Estimated Debt Service Requirements On LID Assessment Debt

Year	Bond Principal	Bond Interest	Other Debt Total Debt
2007	-	103,435	\$ 103,435
2008	-	103,435	\$ 103,435
2009	40,000	104,525	\$ 144,525
2010	60,000	101,255	\$ 161,255
2011	160,000	78,820	\$ 238,820
Future	1,035,000	178,375	\$ 1,213,375
	\$ 1,295,000	\$ 669,845	\$ 1,964,845

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 12/31/06	Unmatured Debt as of 12/31/06
Revenue Bonds						
1999 Water / Sewer	05/01/99	08/01/11	3.70%-4.60%	8,220,000	2,325,000	5,895,000
2004 Water / Sewer	05/01/04	08/01/24	3.00%-5.00%	10,690,000	2,325,000	8,365,000
2006 Water / Sewer	06/15/06	08/01/16	4.00%-4.50%	11,330,000	-	11,330,000
Total Revenue Bonds				\$ 30,240,000	\$ 4,650,000	\$ 25,590,000
Other Obligations						
Water - Chuckanut PWTF	07/01/89	07/01/09	1.00%	\$ 593,809	\$ 500,049	\$ 93,760
Sewer - Silverbeach PWTF	06/01/91	07/01/11	2.00%	445,500	328,263	117,237
Watermain Replacement PWTF	07/01/02	07/01/22	0.50%	1,938,000	301,467	1,636,533
Denke Property Note	09/27/04	12/15/09	0.00%	3,000,000	1,000,000	2,000,000
Total Other Obligations				2,977,309	1,129,779	3,847,530
Total Long-Term General Debt				\$ 33,217,309	\$ 5,779,779	\$ 29,437,530

**Annual Estimated Debt Service Requirements
On Revenue Debt to Maturity**

Year	Bond Principal	Bond Interest	Other Debt Principal	Other Debt Interest	Total Debt
2007	\$ 2,520,000	\$ 1,117,388	\$ 656,984	\$ 11,465	\$ 4,305,837
2008	2,675,000	967,095	656,984	10,172	\$ 4,309,251
2009	2,775,000	868,415	1,156,984	8,879	\$ 4,809,278
2010	2,910,000	758,533	125,731	7,586	\$ 3,801,850
2011	3,040,000	644,028	125,731	6,606	\$ 3,816,365
Future	11,670,000	3,769,151	1,125,117	33,754	\$ 16,598,022
	\$ 25,590,000	\$ 8,124,610	\$ 3,847,529	\$ 78,461	\$ 37,640,603

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