

Whatcom County and Long Term Debt

Whatcom County borrows money to finance large capital projects, such as buildings and road improvements by issuing bonds. We pay off these financial obligations over time. Our Standard & Poor's bond rating is "A," with a rating outlook for the intermediate to long term of positive. Our Moody's Investor Service bond rating is "A1." We are committed to maintaining our good credit. We make all debt service payments promptly and maintain adequate reserves to address contingencies.

This section provides a summary of the following:

- Actual Long Term Debt
- Debt Capacity Limits
- General Obligation Bonds
- Contracts & Capital Leases
- Special Assessment Debt for Road Improvements
- Significant Long Term Debt Transactions in 2001

Debt Capacity Limited by State Law

The amount of long term debt that we can incur is limited by state statute.

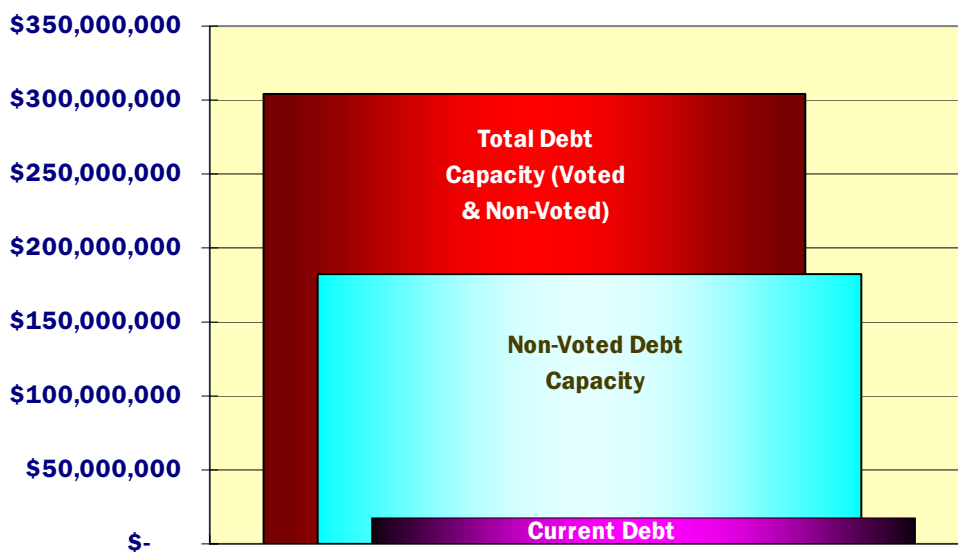
Washington’s statutory limitation on non-voted general obligation debt for counties is one and one half percent of the assessed value of all taxable property within the county at the time of issuance. Voter approval is required to exceed this limit. An election to authorize debt must have voter turnout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

Additionally, the county may enter into leases or conditional sales contracts without a vote of the electors if the total principal component of the leases and contracts, together with other non-voted general obligation indebtedness of the county, does not exceed one and one-half percent of assessed value in the county.

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

The assessed value of all property in the county for the 2002 tax year is \$12,153,907,948. This provides a non-voted general obligation debt capacity of \$182,308,619. Of this borrowing capacity, we have utilized \$16,989,122. There is unused non-voted debt capacity of \$165,319,497 available. Our total voted and non-voted general obligation debt capacity is \$303,847,699, leaving an unused voted and non-voted capacity of \$286,858,577. The graph below illustrates actual debt, non-voted debt capacity and total (voted and non-voted) debt capacity.

Current Debt and Estimated Debt Capacity



See table on facing page for calculation.

Estimated Legal Debt Capacity Calculation

Assessed Value (2002 Tax Year) \$ 12,153,907,948

Limited Tax General Obligation Debt Capacity (Nonvoted)

1 1/2% of Assessed Value	\$	182,308,619
Less: Outstanding Limited Tax General Obligation Bonds	\$	(16,975,000)
Less: Purchase Agreements	\$	(83,001)
Plus: Cash and Investments in Debt Service Funds	\$	68,879
Remaining Capacity: Limited Tax General Obligation Debt (Nonvoted)	\$	<u>165,319,497</u>

Total General Obligation Debt Capacity (Voted and Nonvoted)

2 1/2% of Assessed Value	\$	303,847,699
Less: Outstanding Unlimited Tax General Obligation Bonds	\$	-
Less: Outstanding Limited Tax General Obligation Bonds	\$	(16,975,000)
Less: Purchase Agreements	\$	(83,001)
Plus: Cash and Investments in Debt Service Funds	\$	68,879
Remaining Capacity: Voted & Nonvoted	\$	<u>286,858,577</u>

General Obligation Bonds, Contracts & Capital Leases

General Obligation Bonds

In 1993, the county issued \$8,400,000 (interest rate 5.75-6.00%) in general obligation bonds for additional financing of an addition to the Whatcom County courthouse. This debt issue matures in full in 2012. As of December 31, 2001, outstanding bonds totaled \$4,575,000. Repayment will be made from general fund revenues.

The county issued general obligation bonds in the amount of \$9,990,000 in 1997 to refinance 1991 issue of bonds for the remodeling of the county courthouse and payoff interfund loans for the remodeling the county courthouse. Interest on these bond issues range from 4.0-5.5% with final maturity in 2012. These bonds will be repaid from general fund revenues. The balance outstanding as of December 31, 2001 was \$9,395,000.

In 1998, the county issued \$3,360,000 in general obligation bonds to payoff an interfund loan for the purchase of the Civic Center Building. Interest rate on these bonds range from 3.75%-4.7% with final maturity in 2018. Repayment will be made from general fund revenues. As of December 31, 2001, outstanding bonds totaled \$3,005,000.

Contracts and Capital Leases

In January 1998, we entered into two lease purchase agreements for upgrades to the central computer system. The first obligation of \$71,701 carries an interest rate of 5.64% and requires monthly payments of \$1,375.11 for five years. The second obligation of \$228,572.50 also carries an interest rate of 5.64% with monthly payments of \$4,381.95 for five years.

The balance of the two obligations will be paid in full March of 2003. At December 31, 2001, the balance of the two lease agreements was \$83,001.

Special Assessment Debt for Road Improvements

Debt service requirements for special assessment bonds will be met by the collection of assessments receivable that have been levied against property owners. The assessments are liens against the property and subject to foreclosure.

Road Improvement District #9 (RID 9) debt represents loans from Washington Community Economic Revitalization Board for road, water and sewer improvements to an area within Whatcom County known as Cordata Business Park. In November 1987, the county formed Road Improvement District #9 and levied assessments to service these loans.

The special assessment debt balance is

payable from assessments receivable until maturity in the year 2006. On December 31, the outstanding loan balance was \$687,600.

Road Improvement District #10 (RID 10) was created in 1989 to fund improvements to Horton Road which is located in the Cordata development. Road improvement district anticipation notes were issued in 1991 in the amount of \$1,043,674 (interest rate 5.5-7.6%) to fund the construction of this project. This debt is to be secured by assessments on the properties benefited. The balance outstanding as of December 31, 2001 was \$115,000.

The annual requirements to amortize outstanding debt, including interest, are as follows:

	General Obligation Bonds	Lease Purchase Agreements	Total General Obligation Debt	Special Assessment Debt
2002	2,003,073	69,085	2,072,158	186,570
2003	1,998,492	17,069	2,015,561	186,570
2004	2,010,342	-	2,010,342	186,570
2005	1,998,135	-	1,998,135	201,026
2006	2,006,876	-	2,006,876	222,606
2007 & beyond	12,709,959	-	12,709,959	-
Total Debt Service	22,726,877	86,154	22,813,031	983,342
Interest	5,751,877	3,153	5,755,030	180,742
Principal	16,975,000	83,001	17,058,001	802,600

In proprietary funds, unamortized debt issue costs and bond discount are recorded as deferred charges. Annual interest expense is increased by amortization of debt costs and discount.

On December 31, 2001, the county had \$68,879 available in debt service funds to service the general bonded debt. In addition, \$478,221 was available to service road improvement district debt.

A road improvement district guaranty fund has been established to set aside a reserve to meet debt service requirements on road improvement district debt in the event that assessment collections are insufficient. This reserve is funded by an assessment against road improvement district funds as they are established. On December 31, 2001, a reserve of \$39,362 was available in the Road Improvement District Guaranty Fund.

