

## Whatcom County and Long Term Debt

**W**hatcom 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 2003

## Debt Capacity Limited by State Law

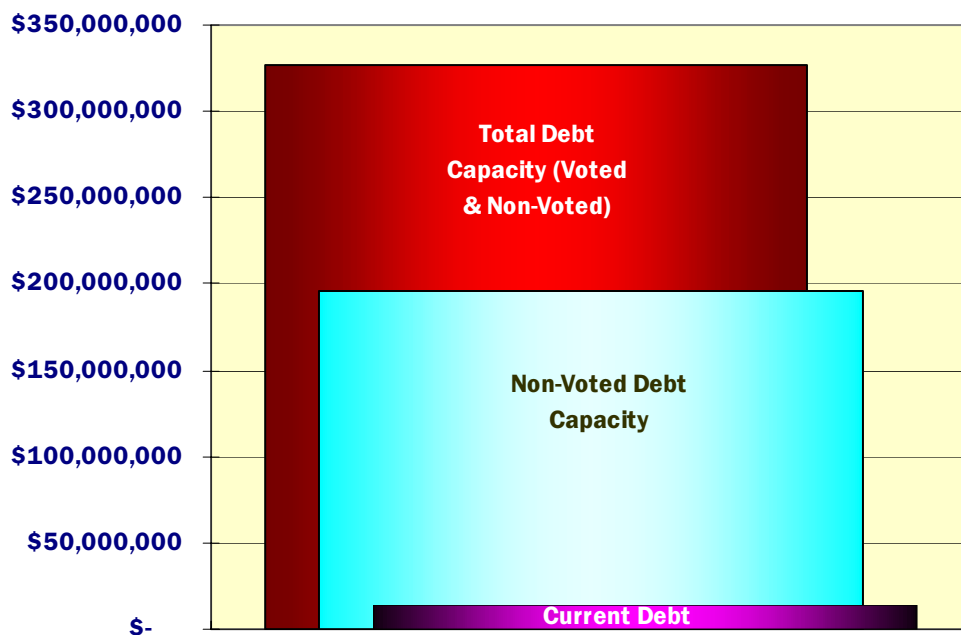
The amount of long term debt that we can incur is limited by state statute. Washington's statutory limitation on non-voted general obligation debt for counties is one and one-half percent of the assessed value of all taxable property within the county at the time of issuance. Voter approval is required 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, Whatcom 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 2004 tax year is \$13,069,729,631. This provides a non-voted general obligation debt capacity of \$196,045,944. Of this borrowing capacity, we have utilized \$14,006,140. There is unused non-voted debt capacity of \$182,039,804 available. Our total voted and non-voted general obligation debt capacity is \$326,743,241, leaving an unused voted and non-voted capacity of \$312,736,962. 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 (2004 Tax Year) \$ 13,069,729,631

**Limited Tax General Obligation Debt Capacity (Nonvoted)**

1 1/2% of Assessed Value	\$	196,045,944
Less: Outstanding Limited Tax General Obligation Bonds	\$	(14,075,000)
Plus: Cash and Investments in Debt Service Funds	\$	68,860
Remaining Capacity: Limited Tax General Obligation Debt (Nonvoted)	\$	<u>182,039,804</u>

**Total General Obligation Debt Capacity ( Voted and Nonvoted)**

2 1/2% of Assessed Value	\$	326,743,241
Less: Outstanding Unlimited Tax General Obligation Bonds	\$	-
Less: Outstanding Limited Tax General Obligation Bonds	\$	(14,075,000)
Plus: Cash and Investments in Debt Service Funds	\$	68,721
Remaining Capacity: Voted & Nonvoted	\$	<u>312,736,962</u>

## General Obligation Bonds, Contracts & Capital Leases

### General Obligation Bonds

Whatcom County issued general obligation bonds in the amount of \$9,990,000 in 1997 to refinance the 1991 issue of bonds for remodeling of the county courthouse, and to 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, 2003 was \$7,940,000.

In 1998, Whatcom County issued \$3,360,000 in general obligation bonds to payoff an interfund loan for the purchase of the Civic Center Building. Interest rates on these bonds range from 3.75%-4.70%, with final maturity in 2018. Repayment will be made from general fund revenues. As of December 31, 2003, outstanding bonds totaled \$2,750,000.

Whatcom County issued general obligation bonds in the amount of \$3,385,000 (interest rate 2.00%-3.35%) in 2003 to refinance the 1993 issue of bonds for the addition to the Whatcom County courthouse. This debt issue matures in full in 2012. As of December 31, 2003, outstanding bonds totaled \$3,385,000. Repayment will be made from General Fund revenues.

## Special Assessment Debt for Road Improvements

Debt service requirements for special assessment bonds will be met by the collection of receivable assessments 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, Whatcom County formed the 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 \$282,538.

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

	<b>General Obligation Bonds</b>	<b>Special Assessment Debt</b>
2004	1,872,580	147,286
2005	1,856,168	147,286
2006	1,866,990	18,885
2007	1,864,452	-
2008	1,890,505	-
2009 & beyond	8,110,286	-
Total Debt Service	17,460,981	313,457
Interest	3,385,981	30,919
Principal	14,075,000	282,538

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, 2003, the county had \$68,860 available in debt service funds to service the general bonded debt. In addition, \$68,282 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, 2003, a reserve of \$113,735 was available in the Road Improvement District Guaranty Fund.

