

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.

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.

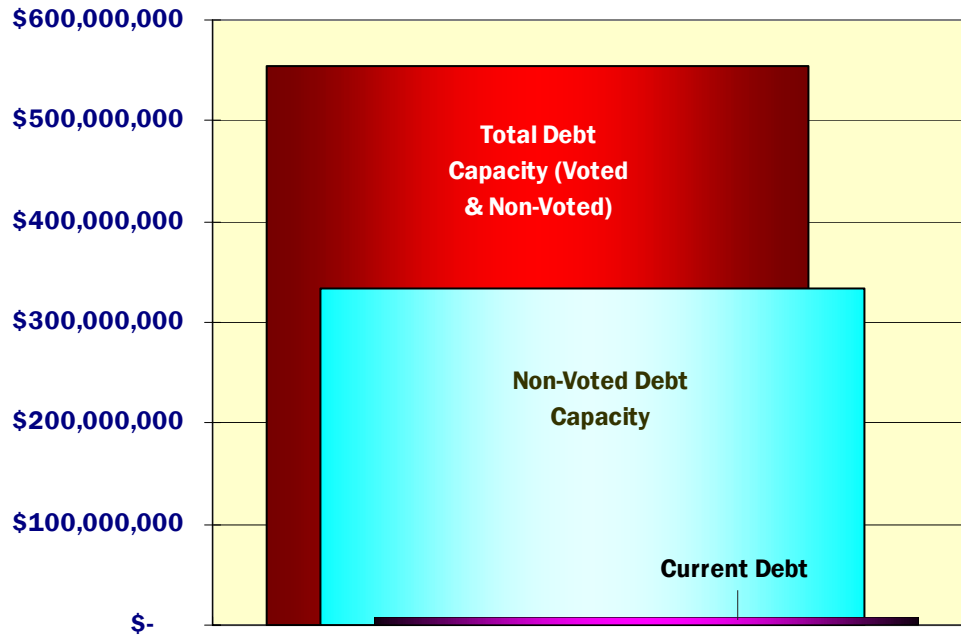
Additionally, Whatcom County may enter into leases or conditional sales contracts without a vote of the electors if the total principal component of the leases and contracts, together with other non-voted general obligation indebtedness of the county, does not exceed one and one-half percent of assessed 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 2008 tax year is \$22,199,664,766. This provides a non-voted general obligation debt capacity of \$332,994,971. Of this borrowing capacity, we have utilized \$7,145,000. There is unused non-voted debt capacity of \$325,849,971 available. Our total voted and non-voted general obligation debt capacity is \$554,991,619, leaving an unused voted and non-voted capacity of \$547,846,619. The graph below illustrates actual debt, non-voted debt capacity and total (voted and non-voted) debt capacity.

Debt Capacity Limited by State Law continued

Current Debt and Estimated Debt Capacity



See table on facing page for calculation.

Estimated Legal Debt Capacity Calculation

Assessed Value (2008) \$ 22,199,664,766

Limited Tax General Obligation Debt Capacity (Nonvoted)

1 1/2% of Assessed Value \$ 332,994,971

Less: Outstanding Limited Tax General Obligation Bonds \$ (7,145,000)

Remaining Capacity: Limited Tax General Obligation Debt (Non-voted) \$ 325,849,971

Total General Obligation Debt Capacity (Voted and Non-voted)

2 1/2% of Assessed Value \$ 554,991,619

Less: Outstanding Limited Tax General Obligation Bonds \$ (7,145,000)

Remaining Capacity: Voted & Non-voted \$ 547,846,619

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 Real Estate Excise Tax revenues. The balance outstanding as of December 31, 2008 was \$3,515,000.

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 various county revenue sources. As of December 31, 2008, outstanding bonds totaled \$2,015,000.

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, 2008, outstanding bonds totaled \$1,615,000. Repayment will be made from General Fund revenues.

The annual requirements to amortize outstanding debt, including interest, are shown in the following table, and the debt service by funding source is shown in the table below.

Year Ending	General Obligation Bonds		
	Principal	Interest	Total
2009	1,600,000.00	293,617.50	1,893,617.50
2010	1,685,000.00	220,912.50	1,905,912.50
2011	1,750,000.00	142,725.00	1,892,725.00
2012	795,000.00	87,031.25	882,031.25
2013	200,000.00	60,075.00	260,075.00
2014	200,000.00	51,375.00	251,375.00
2015	215,000.00	42,575.00	257,575.00
2016	220,000.00	32,900.00	252,900.00
2017	235,000.00	22,560.00	257,560.00
2018	245,000.00	11,515.00	256,515.00
Total	7,145,000.00	965,286.25	8,110,286.25

Debt Service By Funding Source							
G.O. Bond	Funding Source	2009			2010		
		Principal	Interest	Total	Principal	Interest	Total
1997	REET I	1,050,000.00	154,040.00	1,204,040.00	1,120,000.00	98,687.50	1,218,687.50
1998	Admin Services	165,000.00	89,585.00	254,585.00	170,000.00	82,820.00	252,820.00
2003	General Fund	385,000.00	49,992.50	434,992.50	395,000.00	39,405.00	434,405.00
Total		1,600,000.00	293,617.50	1,893,617.50	1,685,000.00	220,912.50	1,905,912.50

Interfund Loans

Due to volatility in the bond markets, Whatcom County is planning to initially use interfund loans to partially finance three capital projects in the General Fund during the 2009-2010 biennium. All interfund loans will draw on the fund balance of the Equipment Rental & Revolving Fund and will be at 3% annual interest. These loans may be refinanced with debt issues in the future.

In 2009, Whatcom County will purchase the Central Plaza Building occupied by the Public Defender's Office. The loan will be for \$1,500,000 to be paid back over fifteen years. Real Estate Excise Tax Fund I will make debt payments of \$125,650 per year.

Also in 2009, Whatcom County will remodel the Civic Center Building for use by the Public Works Department. The loan will be for \$700,000 to be paid back over ten years. Debt service payments of \$82,061 per year will be made by stormwater and road funds as employees currently located in leased offices will be moved into the newly renovated offices of the Civic Center Building.

In 2010, Whatcom County will replace the Assessor-Treasurer software system. The loan will be for \$1,220,000 to be paid back over ten years. Annual debt service payments of \$143,021 will be paid by the General Fund.