

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 Moody's Investor Service issuer rating is

Aa2. 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.

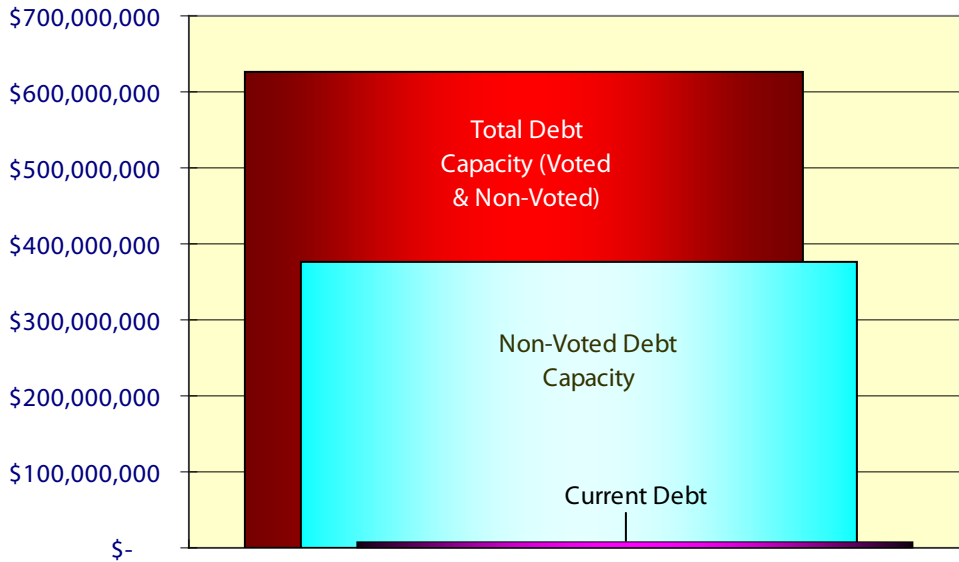
Additionally, Whatcom County may enter into leases or conditional sales contracts without a vote of the electors if the total principal component of the leases and contracts, together with other non-voted general obligation indebtedness of the county, does not exceed one and one-half percent of assessed 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 2010 tax year is \$25,077,540,191. This provides a non-voted general obligation debt capacity of \$376,163,103. Of this borrowing capacity, we have utilized \$6,735,000. There is unused non-voted debt capacity of \$369,428,103 available. Our total voted and non-voted general obligation debt capacity is \$626,938,505, leaving an unused voted and non-voted capacity of \$620,203,505. The graph on the following page 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



Estimated Legal Debt Capacity Calculation

Assessed Value (2010)	\$ 25,077,540,196
Limited Tax General Obligation Debt Capacity (Non voted)	
1 1/2% of Assessed Value	\$ 376,163,103
Less: Outstanding Limited Tax General Obligation Bonds	\$ (6,735,000)
Remaining Capacity: Limited Tax General Obligation Debt (Non-voted)	\$ 369,428,103
Total General Obligation Debt Capacity (Voted and Non-voted)	
2 1/2% of Assessed Value	\$ 626,938,505
Less: Outstanding Limited Tax General Obligation Bonds	\$ (6,735,000)
Remaining Capacity: Voted & Non-voted	\$ 620,203,505

General Obligation Bonds

Whatcom County issued two general obligation bonds totaling \$6,135,000 in 2010. The first, series 2010A, totaled \$4,310,000. Series 2010A bonds are non-taxable general obligation bonds bearing interest at rates between 2% and 4%. The second, series 2010B, totaled \$1,825,000. Series 2010B bonds are general obligation recovery zone bonds which are taxable bonds and bear interest at rates between 5% and 5.25%. Whatcom County will receive a 45% subsidy from the Federal Government for interest paid on recovery zone bonds. A portion of the bond proceeds, \$3,000,000, will be used to replace the control systems in the jail and juvenile detention center. The balance of the bond issue was used to refinance outstanding bonds issued in 1997 and 1998 at lower interest rates. These bonds will be repaid from the Whatcom County Jail Fund, REET I Fund and the Administrative Services Fund. As of December 31, 2010, outstanding bonds totaled \$5,900,000.

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, 2010, outstanding bonds totaled \$835,000. Repayment will be made from General Fund revenues.

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

Year Ending	General Obligation Bonds		
	Principal	Net Interest	Total
2011	1,870,000.00	180,970.00	2,050,970.00
2012	900,000.00	143,334.00	1,043,334.00
2013	305,000.00	124,346.00	429,346.00
2014	310,000.00	115,196.00	425,196.00
2015	325,000.00	104,346.00	429,346.00
2016	330,000.00	91,346.00	421,346.00
2017	355,000.00	78,146.00	433,146.00
2018	355,000.00	68,559.00	423,559.00
2019	140,000.00	56,459.00	196,459.00
2020	145,000.00	52,259.00	197,259.00
2021	150,000.00	48,221.00	198,221.00
2022	155,000.00	44,096.00	199,096.00
2023	160,000.00	39,834.00	199,834.00
2024	165,000.00	35,434.00	200,434.00
2025	165,000.00	30,896.00	195,896.00
2026	170,000.00	26,132.00	196,132.00
2027	175,000.00	21,223.00	196,223.00
2028	180,000.00	16,170.00	196,170.00
2029	185,000.00	10,973.00	195,973.00
2030	195,000.00	5,631.00	200,631.00
Total	6,735,000.00	1,293,571.00	8,028,571.00

Debt Service By Funding Source							
G.O. Bond	Funding Source	2011			2012		
		Principal	Interest	Total	Principal	Interest	Total
2003	General Fund	410,000.00	27,357.50	437,357.50	425,000.00	14,237.50	439,237.50
2010	REET I/ Admin Services/Jail	1,460,000.00	153,612.00	1,613,612.00	475,000.00	129,096.00	604,096.00
Total		1,870,000.00	180,969.50	2,050,969.50	900,000.00	143,333.50	1,043,333.50

Interfund Loans

Due to volatility in the bond markets, Whatcom County used interfund loans to partially finance two capital projects in the General Fund during the 2009-2010 biennium. All interfund loans were drawn on the fund balance of the Equipment Rental & Revolving Fund and are at 3% annual interest. These loans may be refinanced with debt issues in the future.

In 2009, the County purchased the Central Plaza Building occupied by the Public Defender's Office. The loan is for \$1,500,000 to be paid back over

fifteen years. Real Estate Excise Tax Fund I will make debt payments of \$123,937 per year. The balance outstanding at the end of 2010 was \$1,400,000.

In the last biennium, Whatcom County began replacing the Assessor/Treasurer software system. The project will be completed in 2011. The loan is for \$1,100,000 to be paid back over ten years. Annual debt service payments of \$128,954 will be paid by the General Fund. The first payment is due in 2011.