

INTRODUCTION

Debt service funds are a category of funds intended to demonstrate the proper funding and repayment of general obligation and local improvement district debt obligations and the mandatory reserves associated with such debt. The 2009 budget includes 1 debt service fund:

Bond Fund – established to account for the accumulated resources for the payment of principal and interest for various general obligation and local improvement district (LID) bonds.

Revenue Bonds and other loans secured by revenues pledges are included in the Enterprise Funds that have undertaken those obligations.

SUMMARY OF CITY DEBT

City of Bremerton	
Direct Debt Obligations	
(As Of October 1, 2008)	
General Obligation Debt (Debt Service Funds):	
Voted General Obligation Bonds Outstanding	\$11,290,000
Non-Voted General Obligation Bonds Outstanding (councilmanic)	17,112,017
General Obligation Debt Balance	<u>\$28,402,017</u>
Revenue Bonds and Loans (Enterprise Funds):	
Revenue Bonds	\$10,619,733
Loans	29,689,203
Capital Leases	0
Revenue Bonds and Loans Balance	<u>\$40,308,936</u>
Total Direct Debt Outstanding	<u><u>\$68,710,953</u></u>

Debt management is an important component of the City's financial management practices. Generally, debt financing is reserved for funding large capital projects.

The public may vote to approve bond issues for general government in an amount not to exceed 2.5% of the assessed value of all taxable property within the City. Within that 2.5% limit, the City Council may approve bond issues in an amount not to exceed 1.5% of the City's assessed valuation. Bremerton's remaining debt capacity within the 2.5% limit is estimated to be \$52,036,660.

The public may also vote to approve park facilities and utility bond issues, each of which is also limited to 2.5% of the assessed valuation of taxable property within the City.

Debt Service Funds Overview

Unlimited tax general obligation requires an approving vote of the people, and any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last general election and at which 60 percent must vote favorably. The following Table outlines the City's statutory debt capacity as of October 1, 2008.

City of Bremerton
Statutory Debt Limit Calculations
(As Of October 1, 2008)

2007 Valuation for Collection Year 2008	\$3,114,776,428
General Purposes:	
a. Non-Voted Indebtedness Limit (1.5% of Assessed Valuation)	\$46,721,646
Less: Non-Voted Bonds Outstanding	(17,112,017)
Plus: Assets Available for Debt Service	2,346,730
Remaining Capacity for General Purposes (Non-Voted)	\$31,956,359
b. Voted Indebtedness Limit (2.5% of Assessed Valuation)	\$77,869,411
Less: Voted Bonds Outstanding	(11,290,000)
Less: Non-Voted Bonds Outstanding	(17,112,017)
Plus: Assets Available for Debt Service	2,569,266
Remaining Capacity for General Purposes (Voted)	\$52,036,660
Utility Purposes (2.5% of Assessed Valuation)	
Limit	\$77,869,411
Less: Bonds Outstanding	-0-
Remaining Capacity for Utility Purposes	\$77,869,411
Parks and Open Spaces and Economic Development Purposes (2.5% of Assessed Valuation)	
Limit	\$77,869,411
Less: Bonds Outstanding	-0-
Remaining Capacity for Parks and Open Space Purposes	\$77,869,411

Revenue bonds may be issued to finance projects for any City enterprise that is self-supporting. These bonds may finance water, wastewater, Stormwater, and golf courses. Payment for debt service on revenue bonds comes from user fees and rates generated by the utility for which the capital facility is being built for.

Debt Service Funds Overview

DEBT RELATED FINANCIAL GOALS & POLICIES

The City of Bremerton Financial Goals & Policies describes specific provisions and expectations on the appropriate usage of debt in the conduct of the City’s financial operations. Key provisions of the goals and policies related to debt are as follows:

Goals for Financial Sustainability (debt related items only) –

Debt financing should be used to smooth the effects of unusual or significant amounts of capital expenditures and/or to finance facilities that are dedicated to the benefit of limited users (for example – Local Improvement District “LID”).

Policy -

- Deficit financing and borrowing will not be used to support on-going City services and operations. Expenses will be reduced to conform to the long-term revenue forecast. Interfund loans are permissible to cover temporary gaps in cash flow, but only when supported by a clear expectation and schedule for repayment over a short duration of time (3 years or less) and with interest assessed based on the current Washington State Local Government Investment Pool rate.
- Long-term borrowing will be confined to significant capital improvements (or similar projects) which have an extended life and when it is not practicable to be financed from current revenues. All other available and appropriate sources of financing should be exhausted before long term borrowing is pursued.
- Bonds cannot be issued for a longer maturity schedule than a conservative estimate of the weighted average useful lives of the assets to be financed. The City will keep the average maturity of general obligation bonds at or below twenty years.
- Where possible, the City will use special assessment revenue, or other self-supporting bonds instead of general obligation bonds.
- The City Utility Systems shall strive to maintain a minimum debt service coverage (annual gross revenues less annual operating and maintenance expenses divided by annual debt service) of the combined Utilities (Water, Wastewater, Stormwater) of at least 1.5x.

	<u>2007 Actual</u>	<u>2008 Budget</u>	<u>2009 Budget</u>
Bond Fund	2,528,218	2,374,797	2,498,732
Total Debt Service	2,528,218	2,374,797	2,498,732

Debt Service Funds Overview

BOND FUND
Debt Service Fund - 201

Function Description:

The Bond Fund was established as a debt service fund to account for the accumulation of resources for and the payment of principal and interest for various general obligation and local improvement district (LID) bonds used to fund capital improvement projects and capital equipment acquisitions.

Budget Data Recap:

Category - Revenue	2006 Actual	2007 Actual	2008 Budget	2009 Budget
Beginning Fund Balance	327,269	418,036	548,107	657,782
Taxes	1,059,580	1,086,175	903,960	887,700
Licenses & Permits				
Intergovernmental				
Charges for Services				
Fines & Forfeits				
Other Revenue	1,036,303	1,024,007	922,730	953,250
TOTAL	2,423,152	2,528,218	2,374,797	2,498,732

Category - Expenditures	2006 Actual	2007 Actual	2008 Budget	2009 Budget
Personnel				
Supplies, Services & Taxes				
Capital Expenditures				
Debt Service	2,005,116	1,980,111	1,717,015	1,839,845
Transfers				
Ending Fund Balance	418,036	548,107	657,782	658,887
TOTAL	2,423,152	2,528,218	2,374,797	2,498,732
Staffing Level	0.00	0.00	0.00	0.00

Budget and Program Highlights:

- To record principal and interest debt service payments on the following bonds:
 - 2002 UTGO Public Safety
 - 2003 Conference Center Parking
 - 2005 LTGO Refunding

Recent Accomplishments:

- \$270,000 advance principal payment completed in 2008 for the 2003 Conference Center Parking Bonds

Fund Initiatives:

FUND GOALS/INITIATIVES		GOAL OR MEASURE	Measurement Criteria	When
Efficiency and Effectiveness				
Initiative	Outcome			
\$295,000 Advance Principal Payment on 2003 Conference Center Parking Bonds	Improved financial condition	Advanced principal repayment	Principal payment	2009

2010-2014 Budgetary Considerations:

There is currently no plan or expectation of the City issuing additional general obligation debt in the next five year period other than that which may be supported by a voter approved bond levy.

