

In addition to the regular operating budget, the City uses bonds and property tax levies to fund a variety of special capital improvement projects. The City's budget must include funds to pay interest due on outstanding bonds and to pay the principal amount of bonds at maturity. There are three types of debt which the City has issued to finance its capital improvement programs.

Unlimited Tax General Obligation Bonds

The City may issue Unlimited Tax General Obligation Bonds (UTGO) for capital purposes if a proposition authorizing their issuance is approved by 60% of the voters in an election in which the number of voters exceeds 40% of the voters in the most recent general election. Payment of principal and interest is backed by the "full faith and credit" of the City. This means that the City commits itself to include in its property tax levy an amount which is sufficient to pay principal and interest on the bonds. Property taxes levied to pay debt service on UTGO bonds are not subject to the statutory limits in State law on the taxing authority of local governments. This is the sense in which UTGO bonds are "unlimited." However, State law does limit the amount of UTGO bonds that can be outstanding at any time to 7.5% of assessed valuation: 2.5% for open space and park facilities, 2.5% for utility purposes, and 2.5% for general purposes. As of December 31, 1999, there were \$182 million in UTGO bonds outstanding, most of which (\$142 million) had been issued for general purposes. Outstanding UTGO bonds for open space and parks totaled \$5 million, and \$35 million had been issued for utility purposes.

Limited Tax General Obligation Bonds

The City Council may authorize the issuance of Limited Tax General Obligation Bonds (LTGO), also known as councilmanic bonds, in an amount up to 1.5% of assessed valuation without a vote of the people. The City pledges its full faith and credit to the payment of principal and interest on LTGO bonds, but this pledge must be fulfilled within the statutory limitation on the City's taxing authority. Thus these are "limited" general obligation bonds. The combination of UTGO bonds issued for general purposes and LTGO bonds cannot exceed 2.5% of assessed valuation. If LTGO bonds are issued up to the 1.5% ceiling, then UTGO bonds for general purposes are limited to 1.0% of assessed

Revenue Bonds

Revenue bonds are used to provide financing for the capital programs of City Light and the three utilities, water, drainage and wastewater, and solid waste, which are grouped together in Seattle Public Utilities. The City does not pledge its full faith and credit to the payment of debt service on revenue bonds. Payment of principal and interest on the bonds issued by each utility is derived solely from the revenues generated by the issuing utility. No tax revenues are used to pay debt service. When revenue bonds are sold, the City commits itself to set fees and charges for the issuing utility that will be sufficient to pay all costs of operations and maintenance, and all payments of principal and interest on the bonds. The amount of revenue bonds is not subject to statutory limits; however, there are practical limitations in that it may not be possible to sell revenue bonds if the amount of bonds outstanding grows to the point that the financial community questions the ability of the issuing utility to make timely payments of principal and interest on the bonds.

Forms of Debt Authorized by State Law

Table 1 below summarizes the conditions and limitations that apply to the issuance of the three types of debt issued by the City.

Debt Service

Table 1

Form of Debt	Voter Approval Required	Source of Repayment	Statutory Limitation	Current Limit	Outstanding 12-31-99
Unlimited Tax General Obligation Bonds (UTGO)					
Parks & Open Space	Yes	Property Tax	2.5% of AV	\$1,423 million	\$36 million
Utilities	Yes	Property Tax	2.5% of AV	\$1,423 million	\$5 million
General Purposes	Yes	Property Tax	1.0 % of AV*	\$569 million	\$142 million
Limited Tax Obligation Bonds (LTGO)	No	Taxes and Other Revenues	1.5% of AV*	\$854 million	\$537 million
Utility Revenue	No	Utility Revenues	None	None	\$1,809 million

* The sum of UTGO and LTGO debt for general purposes must be less than 2.5% of assessed valuation.

City Debt Management Policies

The use of debt financing by the City is subject not only to State law, but also to the debt management policies adopted by the Mayor and City Council. According to these policies, a capital project should be financed with bond proceeds only under the following circumstances:

- in emergencies,
- when the project being financed will produce revenues that can be used to pay debt service on the bonds, or
- when the use of debt will result in a more equitable sharing of the costs of the project between current and future beneficiaries of the project.

It is the last of these circumstances that most often justifies the use of debt financing. Paying for long-lived assets, such as libraries or parks, from current tax revenues would place a large burden on current taxpayers, while allowing future beneficiaries to escape the burden of payment. The use of debt effectively spreads the cost of acquiring or constructing capital assets over the life of the bonds.

The City's debt management policies require that 12% of the City's LTGO total issuance capacity should be reserved for emergencies. The also state that net debt service on LTGO bonds (defined as total debt service, minus debt service paid from project revenues) should not exceed 9% of the General Fund budget, and should remain below 7% under most circumstances. Debt service has generally remained far below this ceiling.

Bond Ratings

The City has earned very high ratings on its bonds as a result of a strong economy and prudent financial practices. The City's UTGO debt is rated Aaa by Moody's Investors Service and AAA by Fitch IBCA, which are the highest possible levels. Standard & Poor's (S&P) rates these bonds as AA+ with a positive outlook. The City's LTGO debt is rated AA+ by Fitch and S&P and Aa1 by Moody's.

The City's utilities have very high ratings for revenue debt, reflecting sound finances and good management. Moody's rates City Light, water, and drainage and wastewater debt at the Aa2 level. S&P rates City Light and water at AA and drainage and wastewater at AA-. Solid Waste Utility debt is insured and thus carries a AAA rating.

Bond Issues and Debt Service: 2001 and 2002

The City issued a record amount of debt in 1999, including \$100 million in voter-approved UTGO bonds to finance the Libraries for All program and \$85.5 million in LTGO bonds to fund a number of programs, including part of the cost of construction of the downtown Civic Center. In addition, all four of the City's utilities issued revenue bonds to fund their capital programs in the aggregate amount of \$328.5 million. The amounts issued by each utility are as follows:

Utility	Amount (in millions)
City Light	\$158.0
Water	110.0
Drainage and Wastewater	55.0
Solid Waste	5.5

With the exception of City Light, the proceeds of these bond issues will be sufficient to meet the cash requirements of the City's Capital Improvement Program through the year 2000. City Light expects to sell an additional \$80 million in bonds in December.

In 2001, the City expects to issue \$130.7 million in LTGO bonds, not including issuance costs, to finance a variety of capital programs, including the next stages of the Civic Center, the Southwest Police Precinct, the Police Training Facility, and various information technology projects. A second LTGO issue totaling \$61.5 million is projected for 2002. The specific projects to be funded from these two bond issue are shown in Table 2.

Payments of principal and interest on General Obligation bonds will total \$70 million in 2001. Debt service of \$20.6 million in 2001 on outstanding voter-approved debt shows little change from 2000. All of the increase in General Obligation debt service from 2000 to 2001 is attributable to debt service on LTGO bonds, which will total \$49.4 million in 2001. In 2002 General Obligation debt service costs will rise to \$87.6 million. Again, all of the increase is attributable to debt service on LTGO bonds, which is projected to rise to \$66.9 million in 2002.

Debt service on the revenue bonds of the City's four utilities will increase from \$151.2 million in 2000 to \$156.3 million in 2001, reflecting the full impact of the bonds issued in 1999. Revenue bond debt service changes little from 2001 to 2002. Increases in City Light's debt service resulting from the 2000 issue will be partially offset by decreases in debt service for Drainage and Wastewater bonds.

Debt Service

Table 2

Projects To Be Funded from Bond Issues in 2001 and 2002

	Principal Amount <i>(net of issuance costs)</i>
<i>2001 Bond Issue</i>	
Justice Center, City Hall	77,000,000
Civic Center Plan - Park 90/5 Facility	5,130,000
Civic Center Plan - Key Tower	2,500,000
Southwest Precinct	8,200,000
Law, Safety and Justice Information Technology Projects	7,950,000
Central Library Parking Garage	5,700,000
Ballard Neighborhood Center	3,500,000
South Lake Union Transportation Improvements*	4,500,000
Miscellaneous Information Technology	5,500,000
Police Training Facility	3,000,000
Training Facilities	6,340,200
Benaroya Hall	835,000
McCaw Performance Hall	588,235
Subtotal – 2001 Issues	130,743,435
<i>2002 Bond Issue</i>	
Justice Center, City Hall	40,000,000
Civic Center Plan - Open Space, Arctic Building	5,070,000
Civic Center Plan - Key Tower	5,000,000
McCaw Performance Hall	8,400,000
Fire Station 10	3,000,000
Subtotal – 2002 Issues	61,470,000
Grand Total	194,625,200

*Fairview and Valley Street Improvement

Debt Service

General Obligation Bonds and Debt Service Requirements (In 1,000's)	Year Issued/ Series	Original Bond Issuance	Longest Maturity (yrs.)	Effective Interest Rate	Adopted 2001 Debt Service	Endorsed 2002 Debt Service
Limited Tax (Non-voted) General Obligation Bonds (1)						
Housing	1991-B	2,700	20	6.41	391	0
Historic Buildings Refunding	1992-B	33,435	25	6.66	3,038	3,043
Westlake Refunding	1993-A	6,635	14	4.93	854	857
Fire Apparatus	1993-B	785	12	4.64	81	79
Seattle Center Coliseum	1994-A	73,400	20	7.07	7,552	7,553
Community Center/Fire/Police	1994-B	15,850	10	4.50	127	127
Various Purpose-West Precinct, 9th & Lenora Refunding, Human Resource Information System & Equipment, Fire Trucks, Refundings of COPs91	1995-A	28,670	20	5.12	3,013	2,878
Various Purpose-Concert Hall, Key Tower, Police Support Facility	1996-A	97,740	24	5.92	5,558	5,559
Various Purpose- Key Tower, Police Support Facility	1996-B	16,790	8	7.23	3,367	3,446
Various Purpose- Key Tower, Police Support Facility (2)	1996-C	40,520	30	3.77	2,690	2,413
Various Purpose- Key Tower, Police Support Facility (2)	1996-D	17,000	26	3.70	826	1,102
Various Purpose-Street Utility Refunds, Public Access Channel, Fiber Optic	1996-E	14,685	7	4.20	303	186
Various Purpose-Sand Point, Convention Center, Transportation	1997-A	26,670	20	5.16	2,593	2,592
Financial Management Information System-SFMS Redevelopment	1997-B	7,725	7	4.33	1,290	1,290
Various Refunding-W.Seattle Bridge, Capital Facilities, Public Safety Facilities						
Freeway Parking Garage, Historic Buildings (unrefunded), Fire Apparatus, Seismic Studies, Garage Improvement	1998-B	43,710	14	4.49	5,025	5,002
Financial Management Information System-Summit	1998-C	6,210	6	4.11	1,184	1,184
Deferred Interest Downtown Parking Garage	1998-E	13,042	16	4.71	20	340
Downtown Parking Garage	1998-F	60,805	30	5.15	3,144	3,144
Various Purpose-Civic Center, Galer St, Police Precinct, Public Safety IT	1999-B	85,500	29	5.68	8,337	8,307
Justice Center & City Hall	2001A1	78,540	30	6.00	0	5,676
Civic Center Plan - Park 90/5	2001A2	5,233	20	6.00	0	452
Civic Center Plan - Key Tower	2001A3	2,550	15	6.00	0	259
Southwest Precinct	2001B	8,364	20	6.00	0	722
Law, Safety and Justice Information Technology Projects	2001C	8,109	7	5.50	0	1,400
Central Library Parking Garage	2001D	5,814	20	6.00	0	502
Ballard Neighborhood Center	2001E	3,570	20	6.00	0	308
South Lake Union Transportation Improvements	2001F	4,590	1	4.35	0	4,790
Miscellaneous Information Technology	2001G	5,610	7	5.50	0	968
Police Training Facility	2001H	3,060	20	6.00	0	264
Training Facilities	2001I	6,467	20	6.00	0	559
Benaroya Hall	2001J	852	3	5.00	0	43
McCaw Performance Hall	2001K	3,060	15	6.00	0	64
Justice Center & City Hall	2002A1	40,800	30	6.00	0	1,224
Civic Center Plan - Open Space, Arctic Building	2002A2	5,171	20	6.00	0	155
Civic Center Plan - Key Tower	2002A3	5,100	15	6.00	0	153
McCaw Performance Hall	2002B	8,568	15	6.00	0	257
Fire Station 10	2002C	3,060	20	6.00	0	92
Subtotal					49,394	66,990
Unlimited Tax (Voted) General Obligation Bonds (3)						
Fire Station/Shops	1968-A	1,700	40	4.73	91	93
Sewer Improvement, Series 1	1968-A	7,000	40	4.73	379	376
Refunding (1986-A UTGO)	1993-A	43,420	14	4.87	4,852	4,902
Various Refunding-Sewer Improvement, Series 4; 1973-A UTGO Various Refunding, Neighborhood Improvement, Series 2, Sewer Improvement, Series 5, Neighborhood Improvement Series 3, Police/Seattle Center	1998-A	53,865	19	4.47	6,573	6,588
Library Facilities	1999-A	100,000	17	5.14	8,728	8,702
Subtotal					20,623	20,660
Total General Obligation Bonds					\$70,017	\$87,650

- (1) Limited tax general obligation bonds are non-voted "councilmanic bonds," whose debt service is paid from City general operating revenues.
- (2) Variable rate debt - Interest rate is average life-to-date actual rate through December 31, 1999.
- (3) Unlimited general obligation bonds must be approved by the voters. Debt service is paid from a voter-approved excess property tax levy.
- (4) Interest rates for 2001 and 2002 issues are estimates.

Debt Service

	Year/ Series	Adopted 2001	Endorsed 2002
LIMITED TAX GENERAL OBLIGATION BONDS: ALLOCATION OF DEBT SERVICE IN BUDGET (1)			
OPERATING TRANSFERS IN			
General Fund Subfund - Finance General			
Historic Building Refunding	1992B	399	400
Westlake Refunding	1993A	854	857
Various Purpose - West Precinct	1995A	1,373	1,373
- HRIS Equipment	1995A	49	47
- Ninth & Lenora Refunding	1995A	335	333
Various Purpose - Concert Hall	1996AB	2,042	2,041
Various Purpose - Police Support Facility (Park 90/5)	1996C	416	276
Various Purpose - Key Tower	1996D	150	0
Various Purpose - Sand Point Project	1997A	771	771
- Convention Center	1997A	607	605
- Transportation	1997A	1,215	1,216
Financial Management Information System (Redevelopment)	1997B	728	728
Various Refunding - West Seattle Bridge	1998B	936	924
Various Refunding - Historic Buildings	1998B	40	40
Various Refunding - Public Safety Equipment	1998B	154	97
Various Refunding - Seismic Studies	1998B	42	41
Financial Management Information System (Summit)	1998C	668	668
Various Purpose-Civic Ctr, Galer St., S Prcts, P S InfoTech	1999B	7,837	7,807
Justice Center & City Hall	2001A1	0	5,676
Civic Center Plan - Park 90/5	2001A2	0	452
Civic Center Plan - Key Tower	2001A3	0	259
Southwest Precinct	2001B	0	722
Law, Safety and Justive Information Technology Projects	2001C	0	1,400
Central Library Parking Garage	2001D	0	502
Ballard Neighborhood Center	2001E	0	308
Miscellaneous Information Technology	2001G	0	0
Training Facilities	2001I	0	462
McCaw Performance Hall	2001K	0	64
Civic Center Plan - Key Tower	2002A3	0	153
McCaw Performance Hall	2002B	0	257
Fire Station 10	2002C	0	92
Subtotal - General Fund Finance General		18,616	28,571
Key Tower Operating Fund			
Varous Purpose - Key Tower	1996AB	6,058	6,129
Varous Purpose - Key Tower	1996C	2,068	2,068
Varous Purpose - Key Tower	1996D	430	826
Subtotal - Key Tower Operating Fund		8,556	9,023
General Fund Police Support Facility Subfund			
Various Purpose - Police Support Facility (Park 90/5)	1996AB	825	835
Various Purpose - Police Support Facility (Park 90/5)	1996C	206	345
Subtotal - General Fund Police Support Facility Subfund		1,031	1,180
Municipal Civic Center Fund			
Refunding (Building 1988B-Dexter Horton)	1992B	1,982	1,985
Various Refunding (Building 1988B-Dexter Horton leftover fr 1992 Refunding)	1998B	198	200
Subtotal - Municipal Civic Center Fund		2,180	2,185
Seattle Center Fund			
Coliseum	1994A	7,552	7,553

Debt Service

	Year/ Series	Adopted 2001	Endorsed 2002
Concert Hall Fund			
Benaroya Hall	2001J	0	43
Cumulative Reserve REET I Subfund			
Housing	1991B	391	0
Various Refunding - Capital Facilities 1992	1998B	3,013	3,024
Subtotal - Cumulative Reserve REET I Subfund		3,404	3,024
Cumulative Reserve - Unrestricted Subfund			
South Lake Union Transportation Improvements	2001F	0	4,790
Cumulative Reserve - Other Unrestricted Subfund (Parks)			
Various Purpose-COPS 92-B1 Refunding	1995A	89	0
Executive Services Facility Services Division Subfund			
Various Purpose-Civic Ctr, Galer St., S Prcts, P S InfoTech - Civic Center	1999B	500	500
Executive Services Personnel Division Subfund			
Various Purpose - Human Resources Information System	1995A	994	993
Other Funds - Financial Management Information Systems			
Transportation Fund			
SFMS Redevelopment	1997B	221	221
SUMMIT	1998C	203	203
Total - Transportation Fund		424	424
Construction & Land Use			
SFMS Redevelopment	1997B	13	13
SUMMIT	1998C	12	12
Total - Construction & Land Use Fund		25	25
Drainage & Wastewater Fund			
SFMS Redevelopment	1997B	102	102
SUMMIT	1998C	93	93
Total - Drainage & Wastewater Fund		195	195
Solid Waste Fund			
SFMS Redevelopment	1997B	155	155
SUMMIT	1998C	143	143
Total - Solid Waste Fund		298	298
Engineering Services Fund			
SFMS Redevelopment	1997B	70	70
SUMMIT	1998C	64	64
Total - Engineering Services Fund		134	134
Employee Retirement Fund			
SFMS Redevelopment	1997B	1	1
SUMMIT	1998C	1	1
Total - Employee Retirement Fund		2	2
Interest Earnings on Bond Proceeds from New Issues			
Training Facilities	2001I	0	97
Justice Center & City Hall	2002A1	0	1,224
Civic Center Plan - Open Space, Arctic Building	2002A2	0	155
Total Interest Earnings on Bond Proceeds in Capital Project Funds		0	1,476
Allocations for New Issues to Department Operating Budget			
Seattle Police Department			
Police Training Facility	2001H	0	264
Department of Information Technology			
Miscellaneous Information Technology	2001G	0	968
TOTAL OPERATING TRANSFERS IN		44,000	61,648

Debt Service

	Year/ Series	Adopted 2001	Endorsed 2002
DEBT SERVICE REIMBURSEMENTS			
Downtown Parking Garge Fund			
Parking Garage	1998EF	3,164	3,484
Executive Services Fund			
Historic Buildings Refunding (Building 1988B)	1992B	657	658
Fire Apparatus	1993B	81	79
Community Center/Fire/Police - Fire Equipment	1994B	127	127
Various Purpose - Fire Trucks	1995A	131	132
- Refunding COPs 91-A	1995A	42	0
Various Purpose - Key Tower	1996D	246	
Various Purpose - Public Access Channel	1996E	115	0
- Fiber Optic Cable	1996E	188	186
Various Refunding - Freeway Parking Garage 1972	1998B	257	231
- Historic Buildings 1988B	1998B	66	66
- Public Safety/Equipment 1991	1998B	250	312
- Seismic Studies (Fire Station/Dexter Horton)	1998B	69	67
Total - Executive Services Fund		2,229	1,858
TOTAL REIMBURSEMENTS		5,393	5,342
TOTAL RESOURCES-LTGO DEBT SERVICE		49,393	66,990
UNLIMITED TAX GENERAL OBLIGATION BONDS: ALLOCATION OF DEBT SERVICE IN BUDGET			
REAL AND PERSONAL PROPERTY TAX - EXCESS LEVY			
UTGO Bond Interest and Redemption Subfund			
Fire Station/Shops, Series 1	1968A	91	93
Sewer Improvement Series 1	1968A	379	376
Refunding (1986-A UTGO)	1993A	4,852	4,902
Various Refunding-Sewer Improvement, Series 4; 1973-A UTGO Various Refunding, Neighborhood Improvement, Series 2; Sewer Improvement, Series 5, Neighborhood Improvement Series 3, Police Precint/Seattle Center	1998A	6,573	6,588
Library Facilities	1999A	8,728	8,702
TOTAL RESOURCES - UTGO DEBT SERVICE		20,623	20,660
TOTAL RESOURCES - ALL GO DEBT SERVICE		70,016	87,650

(1) For the unlimited tax general obligation debt service payable in 2001, these tables constitute the annual debt service appropriations.

For limited tax general obligation debt, these tables are provided for information only. This information about limited tax general obligation debt reflects expenditure authority in departmental budgets.