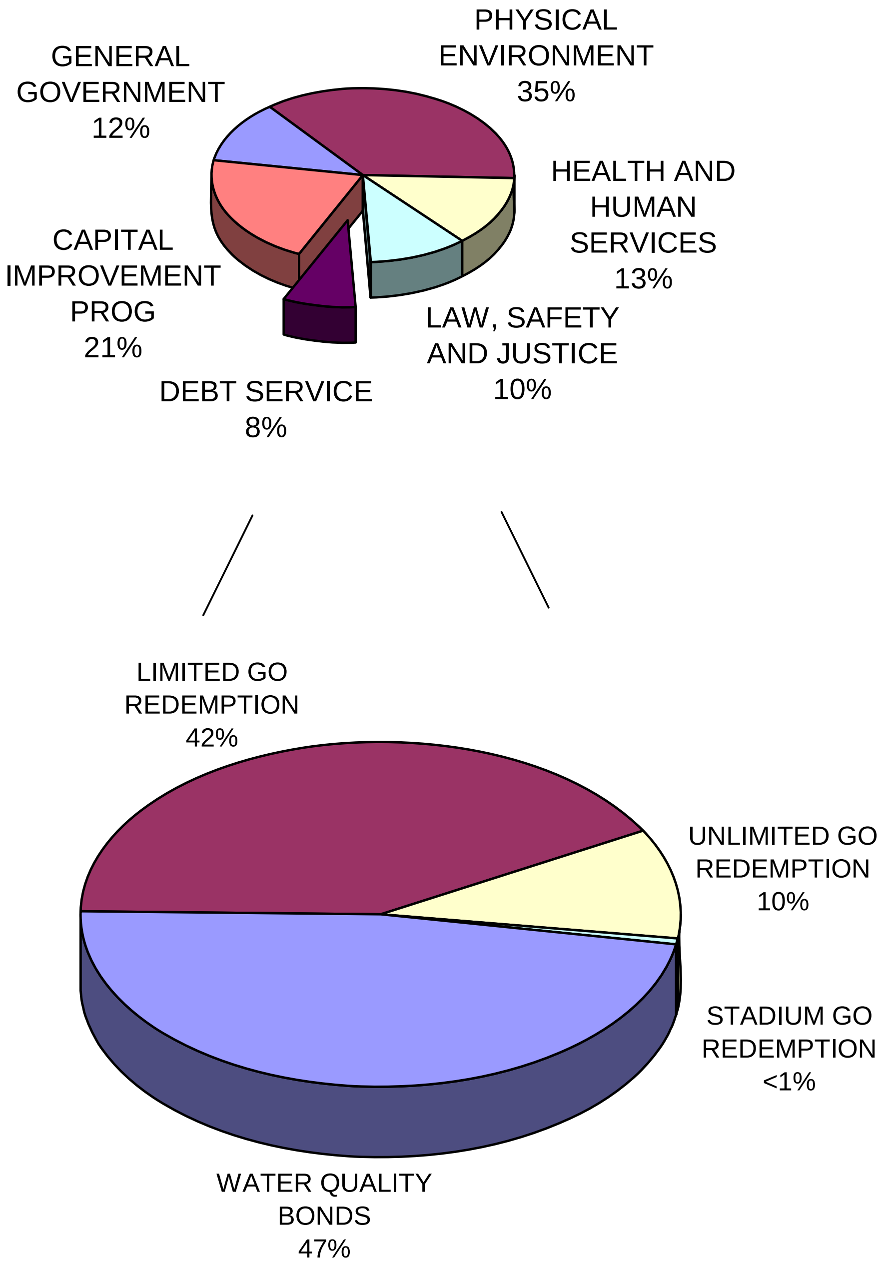
Debt Service

Debt Service
$375 Million



Due to rounding, figures in pie chart may not add to 100%.

Debt Budget Issues and Priorities

The 2009 Executive Proposed Budget assumes an increase in debt repayment levels on three bond repayment funds of approximately $6.7 million over the 2008 levels. This represents a 1.8 percent increase. The 2009 proposed budget authority for the Limited General Obligation Bond Redemption Fund grew about $3.5 million, as did Wastewater Treatment debt service by about $4.8 million due to new bond issuances consistent with the Capital Improvement Program financial plan. The Unlimited General Obligation Bond debt payment budget authority proposed for 2009 is lower by $1.6 million due to a decrease caused by the refinancing of a bond issued in 2000.

The Limited Tax General Obligation Bond Redemption Fund budget amount is higher due the replacement of Bond Anticipation Note (BAN) interim financing with bond proceed permanent financing. Based on a proposal recently transmitted to the County Council, the General Fund payment amount in 2009 is estimated to be $1.3 million lower than originally projected anticipated. Subject to Council approval, the county is planning to convert the replacement BANs into variable rate debt rather than use traditional fixed rate financing. This approach is based on the recommendation of the county's financial advisor in order to reduce overall exposure to changes in interest rates, and potentially lower debt service costs.

For example, as interest rates fall, the county's General Fund earns less on its cash investments and this loss in earnings can be partially offset by paying lower interest rates on variable rate bonds. The variable rate bonds thus provide a natural "hedge" to help offset the impact of changes in interest rates. Lower debt service costs may also result from this approach. The total initial cost of such variable rate debt is expected to be approximately 2.25 percent. By contrast, the expected interest rate on bonds issued in the form of traditional fixed-rate obligations is estimated at 4.50 percent.

The proposal for variable rate financing is consistent with the principles in the county's debt management policy, adopted by Motion 12660. To create a prudent level of variable rate debt exposure, the county plans to issue $50 million of variable rate demand bonds to provide permanent financing for the designated facilities projects. Since the General Fund holds average investment balances well in excess of $100 million, the issuance of $50 million of variable rate debt would is viewed as "hedged" variable rate debt as defined in the debt management policy.

The General Fund share of the Limited Tax General Obligation bond payment will remain below the 5% debt cap based on General Fund revenue collections even with the inclusion of additional debt.

The difference between Limited General Obligation Bond financing and the Unlimited General Obligation Bond financing is that Unlimited is approved by the voters, while Limited is approved by the King County Council.

COUNCIL ADOPTED BUDGET

Council made no changes to the 2009 Executive Proposed Budget.

Debt Service Program Area

	2007 Adopted	2008 Adopted	2009 Adopted
WQ REV BONDS & OTH DEBT SVC	149,057,384	173,092,656	177,902,230
LIMITED G O BOND REDEMPTION	154,057,890	153,114,443	156,581,076
UNLIMITED G O BOND REDEMPTION	47,757,112	39,839,234	38,284,256
STADIUM G O BOND REDEMPTION	2,215,200	2,212,788	2,208,038
Total Debt Service	**353,087,586**	**368,259,121**	**374,975,600**