

Debt Service Funds account for the payment of general obligation bond principal and interest from governmental resources and the payment of special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

**GENERAL GOVERNMENT
DEBT SERVICE FUNDS**



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GENERAL GOVERNMENT DEBT SERVICE FUNDS

There are three types of debt generally issued by the City for general government purposes:

- **Unlimited Tax General Obligation (UTGO) Bonds** represent debt that was approved by voters for a specific purpose. In this case, citizens have agreed to levy property taxes to repay the debt generally over a twenty-year period.
- **Limited Tax General Obligation (LTGO) Bonds** (also called Councilmanic Bonds) can be issued with approval of the City Council. The debt is repaid from general revenues of the City.
- **Local Improvement District (LID) Bonds** represent debt that is repaid by the property owners who benefited from the capital improvement through annual assessments paid to the City. LIDs are formed by the City Council after a majority of property owners agree to the assessment. Currently the City has no LID Bonds outstanding.

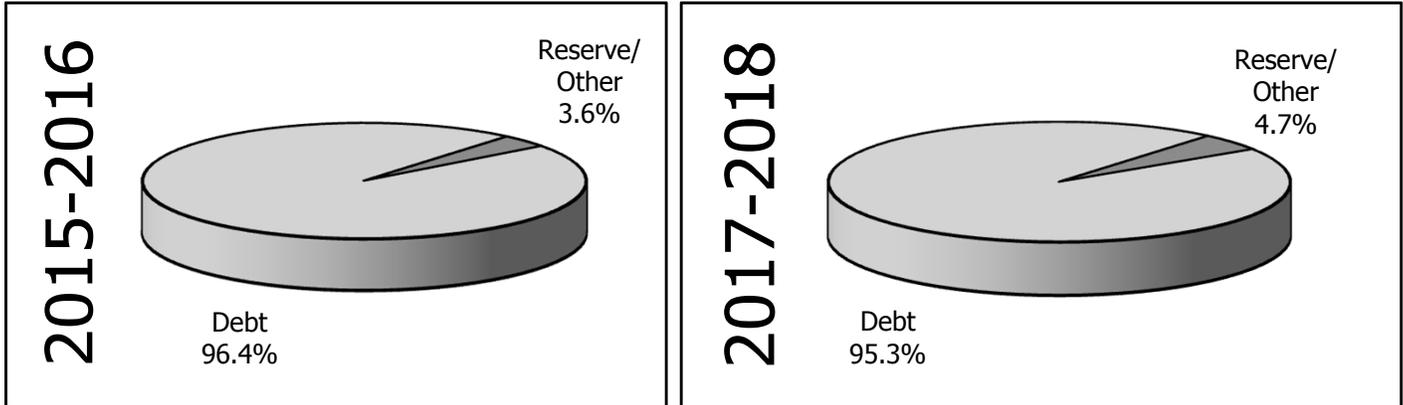
The City's debt management policies provide guidelines for the appropriate use of debt. The complete policies are contained at the end of this document in the appendix. Some key debt management policies include:

- *City Council approval is required prior to issuance of debt.*
- *The City will only use debt to finance capital improvements that cannot be financed through current revenues. The City will not use debt to finance current operations, non-capital furnishings, supplies, or personnel.*
- *Bonds will be issued for a period not to exceed the useful life of the asset being financed.*
- *The City will conduct a thorough analytical review before issuing debt and maintain a good credit rating at all times.*
- *The City's outstanding debt will remain within the limits stated in the City's fiscal policies.*
- *The City will use refunding bonds (refinancing) to restructure current outstanding debt when sufficient savings can be realized from lower interest rates.*

When the City issues debt, a thorough review of the City's financial condition is completed by bond rating agencies. Based on their findings, the bonds are given a rating. The City's bond rating is a reflection of its creditworthiness and affects the cost to the City of issuing debt. There are two rating agencies-- Standard and Poor's (S&P) and Moody's Investor Service--that rate Kirkland's bonds. On December 5, 2014 S&P affirmed the City's AAA rating, which is the highest rating. Moody's ratings for Kirkland are now Aa2 for both Unlimited Tax GO Bonds and Limited Tax GO Bonds.

Once bonds are rated, the City enters the bond market to secure the necessary funding. Occasionally, the City will conduct an "over-the-counter" sale where City staff sell bonds directly to Kirkland residents. The proceeds (cash) received from selling the bonds are placed in a capital projects fund to account for the cost of constructing the capital improvement. Separate funds have been created to track the principal and interest payments for limited and unlimited bonds. Each year a sufficient amount of revenue is budgeted and placed in each fund to pay the annual principal and interest due.

**CITY OF KIRKLAND
GENERAL GOVERNMENT NON-OPERATING
DEBT SERVICE FUNDS**



Debt service funds are used to account for principal and interest payments used for the retirement of long-term debt. Debt is used by the City as a means of financing capital improvements. By extending the repayment of debt over the anticipated useful life of the improvement, the cost of an improvement can be more equitably spread among the citizens who benefit from the improvement. Bonds are sold and the proceeds (cash) are used to pay for the construction of capital improvements. The bonds are repaid over a period of time from taxes, fees, or other revenue sources dedicated for that purpose.

2015-2016 BUDGET SUMMARY: BY PURPOSE

Fund	2015-16 Budget	Budget by Purpose			
		Reserve	Debt	Capital	Other
210 LTGO Debt Service	8,297,431	43,880	8,253,551	-	-
220 UTGO Debt Service	1,449,743	305,688	1,144,055	-	-
Total Debt Service Funds	9,747,174	349,568	9,397,606	-	-

2017-2018 BUDGET SUMMARY: BY PURPOSE

Fund	2017-18 Budget	Budget by Purpose			
		Reserve	Debt	Capital	Other
210 LTGO Debt Service	7,176,915	65,521	7,111,394	-	-
220 UTGO Debt Service	1,506,576	342,716	1,163,860	-	-
Total Debt Service Funds	8,683,491	408,237	8,275,254	-	-

CITY OF KIRKLAND
CHANGE IN FUND BALANCE (Beginning 2015 to Ending 2018)
GENERAL GOVERNMENT NON-OPERATING
DEBT SERVICE FUNDS

	Limited GO Debt	Unlimited GO Debt	Total
2015 Actual Beginning Fund Balance	23,448	305,688	329,136
<i>Reserved</i>	<i>23,448</i>	<i>305,688</i>	<i>329,136</i>
<i>Unreserved Working Capital</i>	-	-	-
Plus: 2015-16 Estimated Revenues	8,286,166	1,181,083	9,467,249
Less: 2015-16 Estimated Expenditures	8,263,801	1,144,055	9,407,856
2016 Estimated Ending/2017 Budgeted Beginning Fund Balance	45,813	342,716	388,529
Plus: 2017-18 Budgeted Revenues	7,131,102	1,163,860	8,294,962
Less: 2017-18 Budgeted Expenditures	7,111,394	1,163,860	8,275,254
2018 Budgeted Ending Fund Balance	65,521	342,716	408,237
<i>Reserved</i>	<i>65,521</i>	<i>342,716</i>	<i>408,237</i>
<i>Unreserved Working Capital</i>	-	-	-
Change in Fund Balance: Beginning 2015 to Ending 2018	42,073	37,028	79,101

Notes:

Fund balances in debt service funds provide for cash flow needs.

**CITY OF KIRKLAND
GENERAL GOVERNMENT NON-OPERATING
DEBT SERVICE FUNDS
2017-2018 PAYMENT AND RESERVE SUMMARY**

2015-2016 Budget

Fund	Payment		Reserve	Total
	Principal	Interest		
210 LTGO Debt Service	4,411,886	3,841,665	43,880	8,297,431
220 UTGO Debt Service	965,000	179,055	305,688	1,449,743
Total Debt Service Funds	5,376,886	4,020,720	349,568	9,747,174

2017-2018 Budget

Fund	Payment		Reserve	Total
	Principal	Interest		
210 LTGO Debt Service	3,362,485	3,748,909	65,521	7,176,915
220 UTGO Debt Service	1,030,000	133,860	342,716	1,506,576
Total Debt Service Funds	4,392,485	3,882,769	408,237	8,683,491

CITY OF KIRKLAND SCHEDULE OF LONG TERM DEBT

The City uses long term debt to finance the cost of large capital improvements. Councilmanic debt is repaid from general revenues. Voter approved debt is retired from property tax increases put in place for the life of the bond issue. Revenue bonds are repaid from water/sewer utility rates. The following schedule identifies current outstanding long-term debt.

Type of Debt	Issue Date	Original Amount	Outstanding 12/31/2016	Cost Per \$1,000 AV	Avg Annual Debt Service*
Councilmanic Bonds:					
2015 Limited G.O. (City Hall Renovations)	11/20/15	5,800,000	5,585,000	N/A	421,780
2010 Limited G.O. (Facilities Expansion)	12/21/10	35,345,000	31,270,000	N/A	2,324,738
Total Councilmanic Bonds		41,145,000	36,855,000		2,746,518
Voter Approved Bonds:					
2013 Unlimited G.O. Refunding (Parks) ¹	10/29/13	4,670,000	3,165,000	0.156	570,491
Total Voter Approved Bonds		4,670,000	3,165,000	0.156	570,491
Estimated Remaining Voter Approved Debt Capacity as of 12/31/2016				\$	1,479,337,010
Fire District #41 Bond:					
2011 Limited G.O. (Fire Station Construction)	5/26/11	4,000,000	2,158,401	N/A	470,572
Total Fire District #41 Bond		4,000,000	2,158,401		470,572
Public Works Trust Fund Loans:					
2000 Lift Station Replacement-Design	7/1/00	227,500	37,605	N/A	12,786
2001 Lift Station Replacement-Construction	9/15/03	1,848,000	514,843	N/A	104,513
2004 Central Way Sewer Replacement	9/1/04	1,086,300	458,660	N/A	58,662
2012 NE 80th ST Water/Sewer Replacement ²	10/8/12	4,038,000	4,003,217	N/A	260,835
Total Revenue Bonds & Trust Fund Loans		7,199,800	5,014,325		436,796

*The average annual debt service is based on the remaining principal and interest payments due until the debt is extinguished.

¹ Refunds Original 2003 Issue with 2013 Refund

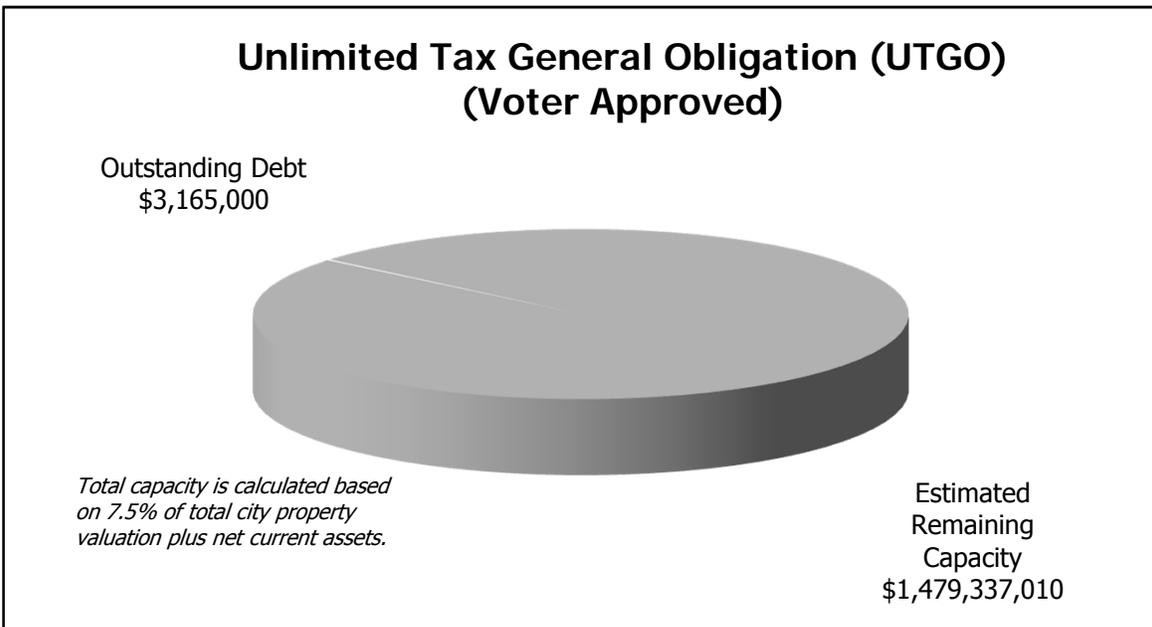
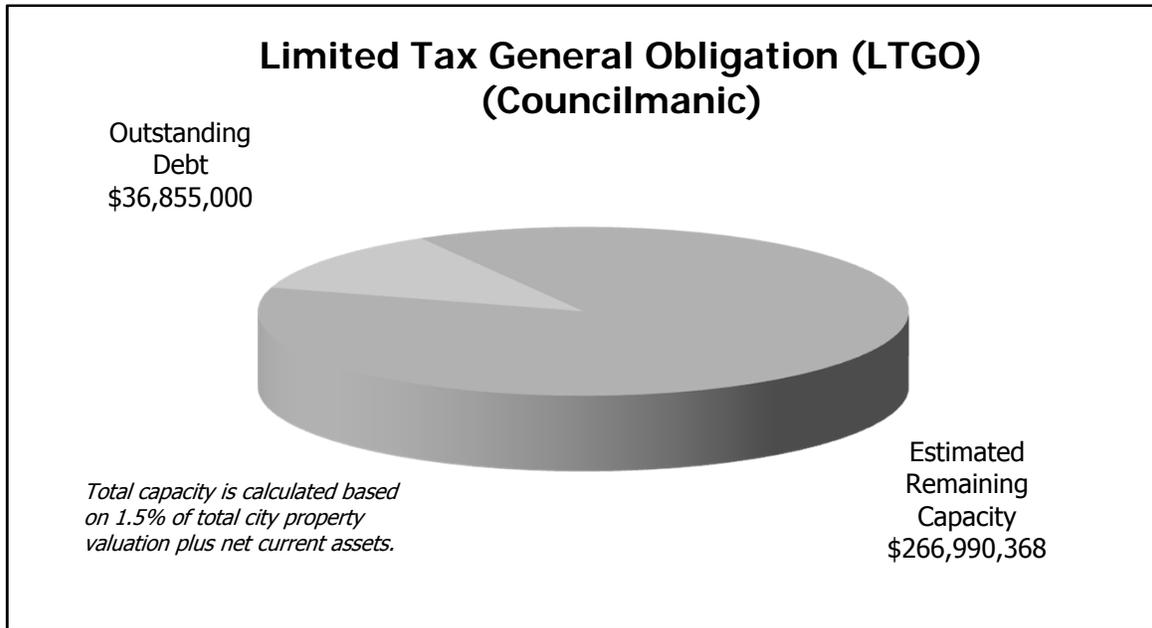
² Active PWTF project; draws occur until project is complete. Total amortization schedule may change until draws are complete. Detailed debt schedules are in the Water/Sewer Utility section.

Note: On May 26, 2011, Fire Protection District #41 issued \$4 million in Limited Tax General Obligation Bonds to finance the Consolidated Fire Station Project. On June 1, 2011, the Fire District ceased operation when the City of Kirkland annexed all the territory served by the District. The outstanding debt remains an obligation of the taxable property which was annexed.

CITY OF KIRKLAND

DEBT CAPACITY

Washington State law imposes limitations on the total amount of debt that a city can have outstanding to 7.5 percent of total assessed property valuation plus the net of current assets and liabilities. This comprises the City's "Debt Capacity" at any one time. The City Council has authority to issue bonds without voter approval (Councilmanic) for a combined total of up to 1.5 percent of the City's assessed valuation. The following graphs compare the total estimated capacity available to the City's indebtedness:



**City of Kirkland
2010 Build America Bonds and Recovery Zone Economic Development Bonds**

Purpose: Facilities Expansion

Amount of Issue	\$35,345,000	Date of Bond Sale	12/21/2010
Ordinance	4272	Net Interest Rate	3.583%
		Org:	2100009010

DEBT SERVICE SCHEDULE

Year	Interest Dates:		Interest Rate	Maturity Date	Principal Amount	Total Payment	Principal Balance
	June 1	December 1					
2011	765,233	860,888	0.90%	12/1/2011	135,000	1,761,121	35,210,000
2012	860,280	860,280	1.20%	12/1/2012	640,000	2,360,560	34,570,000
2013	856,440	856,440	1.50%	12/1/2013	645,000	2,357,880	33,925,000
2014	851,603	851,603	1.80%	12/1/2014	655,000	2,358,205	33,270,000
2015	845,708	845,708	2.20%	12/1/2015	990,000	2,681,415	32,280,000
2016	834,818	834,818	2.75%	12/1/2016	1,010,000	2,679,635	31,270,000
2017	820,930	820,930	3.00%	12/1/2017	1,030,000	2,671,860	30,240,000
2018	805,480	805,480	3.40%	12/1/2018	1,045,000	2,655,960	29,195,000
2019	787,715	787,715	3.75%	12/1/2019	1,070,000	2,645,430	28,125,000
2020	767,653	767,653	4.00%	12/1/2020	1,195,000	2,730,305	26,930,000
2021	743,753	743,753	4.20%	12/1/2021	805,000	2,292,505	26,125,000
2022	726,848	726,848	4.40%	12/1/2022	1,000,000	2,453,695	25,125,000
2023	704,848	704,848	4.60%	12/1/2023	1,030,000	2,439,695	24,095,000
2024	681,158	681,158	4.75%	12/1/2024	1,060,000	2,422,315	23,035,000
2025	655,983	655,983	4.90%	12/1/2025	1,095,000	2,406,965	21,940,000
2026	629,155	629,155	5.10%	12/1/2026	1,125,000	2,383,310	20,815,000
2027	600,468	600,468	5.25%	12/1/2027	1,165,000	2,365,935	19,650,000
2028	569,886	569,886	5.40%	12/1/2028	1,205,000	2,344,773	18,445,000
2029	537,351	537,351	5.50%	12/1/2029	1,245,000	2,319,703	17,200,000
2030	503,114	503,114	5.55%	12/1/2030	1,290,000	2,296,228	15,910,000
2031	467,316	467,316	5.60%	12/1/2031	1,340,000	2,274,633	14,570,000
2032	429,796	429,796	5.875%	12/1/2032	1,390,000	2,249,593	13,180,000
2033	388,965	388,965	5.875%	12/1/2033	1,440,000	2,217,930	11,740,000
2034	346,665	346,665	5.875%	12/1/2034	1,495,000	2,188,330	10,245,000
2035	302,749	302,749	5.875%	12/1/2035	1,555,000	2,160,499	8,690,000
2036	257,071	257,071	5.875%	12/1/2036	1,610,000	2,124,143	7,080,000
2037	209,778	209,778	5.90%	12/1/2037	1,675,000	2,094,555	5,405,000
2038	160,365	160,365	5.90%	12/1/2038	1,735,000	2,055,730	3,670,000
2039	109,183	109,183	5.95%	12/1/2039	1,800,000	2,018,365	1,870,000
2040	55,633	55,633	5.95%	12/1/2040	1,870,000	1,981,265	0
Totals	17,275,940	17,371,594			35,345,000	69,992,535	

**City of Kirkland
2015 Limited General Obligation Bonds**

Purpose: City Hall Renovations 2015

Amount of Issue	\$5,800,000	Date of Bond Sale	11/20/2015
Ordinance	4490	Net Interest Rate	3.450%
		Org:	2100009015

DEBT SERVICE SCHEDULE

Year	Interest Dates:		Interest Rate	Maturity Date	Principal Amount	Total Payment	Principal Balance
	June 1	December 1					
2016	106,164	100,050	3.45%	12/1/2016	215,000	421,214	5,585,000
2017	96,341	96,341	3.45%	12/1/2017	230,000	422,682	5,355,000
2018	92,374	92,374	3.45%	12/1/2018	235,000	419,748	5,120,000
2019	88,320	88,320	3.45%	12/1/2019	245,000	421,640	4,875,000
2020	84,094	84,094	3.45%	12/2/2020	255,000	423,188	4,620,000
2021	79,695	79,695	3.45%	12/1/2021	260,000	419,390	4,360,000
2022	75,210	75,210	3.45%	12/1/2022	270,000	420,420	4,090,000
2023	70,553	70,552	3.45%	12/1/2023	280,000	421,105	3,810,000
2024	65,723	65,722	3.45%	12/1/2024	290,000	421,445	3,520,000
2025	60,720	60,720	3.45%	12/1/2025	300,000	421,440	3,220,000
2026	55,545	55,545	3.45%	12/1/2026	310,000	421,090	2,910,000
2027	50,198	50,197	3.45%	12/1/2027	320,000	420,395	2,590,000
2028	44,678	44,677	3.45%	12/1/2028	335,000	424,355	2,255,000
2029	38,899	38,899	3.45%	12/1/2029	345,000	422,798	1,910,000
2030	32,948	32,947	3.45%	12/1/2030	355,000	420,895	1,555,000
2031	26,824	26,824	3.45%	12/1/2031	370,000	423,648	1,185,000
2032	20,441	20,441	3.45%	12/1/2032	380,000	420,882	805,000
2033	13,886	13,886	3.45%	12/1/2033	395,000	422,772	410,000
2034	7,073	7,072	3.45%	12/1/2034	410,000	424,145	0
Totals	1,109,686	1,103,566			5,800,000	8,013,252	

City of Kirkland**Fire District #41 Bond (Issued by Fire District prior to Annexation)****Purpose: Fire Station Construction**

Denomination	n/a	Date of Bond Sale	5/26/2011
Amount of Issue	4,000,000	Net Interest Rate	3.200%
Ordinance	n/a	Org:	2100009110

DEBT SERVICE SCHEDULE

Year	Interest Dates:		Interest Rate	Maturity Date	Principal Amount	Total Payment	Principal Balance
	June 1	December 1					
2011		65,778	3.20%	12/1/2011		65,778	4,000,000
2012	64,000	61,259	3.20%	12/1/2012	345,313	470,572	3,654,687
2013	58,475	55,646	3.20%	12/1/2013	356,451	470,572	3,298,236
2014	52,772	49,852	3.20%	12/1/2014	367,949	470,572	2,930,287
2015	46,885	43,870	3.20%	12/1/2015	379,817	470,572	2,550,470
2016	40,808	37,696	3.20%	12/1/2016	392,069	470,572	2,158,401
2017	34,534	31,322	3.20%	12/1/2017	404,715	470,572	1,753,686
2018	28,059	24,743	3.20%	12/1/2018	417,770	470,572	1,335,916
2019	21,375	17,952	3.20%	12/1/2019	431,245	470,572	904,670
2020	14,475	10,942	3.20%	12/1/2019	445,156	470,572	459,515
2021	7,352	3,705	3.20%	12/1/2019	459,515	470,572	-
Totals	368,734	402,766			4,000,000	4,771,500	

Note: On May 26, 2010, Fire Protection District #41 issued \$4 million in Limited Tax General Obligation Bonds to finance the Consolidated Fire Station Project. On June 1, 2011, the Fire District dissolved when the City of Kirkland annexed all the territory served by the District. The outstanding debt remains an obligation of the taxable property which was annexed.

City of Kirkland
2013 Unlimited General Obligation Bonds

Purpose: 2013 Refinance Existing Bonds

Denomination			
Amount of Issue	\$4,670,000	Date of Bond Sale	10/29/2013
Ordinance	4420	Net Interest Rate	2.30%
Org Key	220 000 9113		

Year	Interest Dates:		Interest Rate	Maturity Date	Principal Amount	Total Payment	Principal Balance
	June 1	December 1					
2014	63,253	53,705	2.30%	12/1/2014	540,000	656,958	4,130,000
2015	47,495	47,495	2.30%	12/1/2015	475,000	569,990	3,655,000
2016	42,033	42,033	2.30%	12/1/2016	490,000	574,065	3,165,000
2017	36,398	36,398	2.30%	12/1/2017	510,000	582,795	2,655,000
2018	30,533	30,533	2.30%	12/1/2018	520,000	581,065	2,135,000
2019	24,553	24,553	2.30%	12/1/2019	515,000	564,105	1,620,000
2020	18,630	18,630	2.30%	12/1/2020	530,000	567,260	1,090,000
2021	12,535	12,535	2.30%	12/1/2021	540,000	565,070	550,000
2022	6,325	6,325	2.30%	12/1/2022	550,000	562,650	0
Totals	281,753	272,205			4,670,000	5,223,958	