



# DEBT

OCTOBER 6, 2025  
REGULAR COUNCIL MEETING

PRESENTED BY: DANIELLE INGHAM, FINANCE DIRECTOR

- ▶ TYPES OF MUNICIPAL DEBT
- ▶ DEBT LIMITS
- ▶ CALCULATING DEBT CAPACITY



# TYPES OF MUNICIPAL DEBT

- ▶ GENERAL OBLIGATION (GO) DEBT: Secured by the full faith and credit of the local government issuing the debt. The City pledges its tax revenues to pay debt payments. There are two basic kinds of general obligation bonds:
  - Limited Tax General Obligation (LTGO) bonds may be issued by the legislative body (“Councilmanic bonds” or “Non-Voted Debt”). Because the voters have not been asked to approve a tax increase to pay for the principal and interest, general fund revenues must be pledged to pay the debt service. LTGO does **not** provide additional revenues, and payments must be paid from **existing** revenue sources
  - Unlimited Tax General Obligation (UTGO) bonds must be approved by 60% of the voters (“Voter Debt”). Voter turn out must equal to at least 40% of those who voted in the most recent general election. When voters approve the issuance of these bonds, they are simultaneously asked to approve an excess levy which raises their property taxes
    - Example: Ferndale Library building

- ▶ **REVENUE DEBT:** Unlike GO debt, which relies on taxation, revenue debt is guaranteed by specific revenues. These bonds may be issued to finance projects for any enterprise that is self-supporting. Payment for debt service on revenue bonds comes from user fees (water/sewer/storm). Because revenue bonds are not backed by the full faith and credit of the City, the interest rate tends to be higher than GO debt.
  - May require bond covenants to meet lending requirements
- ▶ **SPECIAL ASSESSMENT DEBT:** Local Improvement District (LID) which is debt repaid from assessments against those who directly benefit from the project.
  - Example: a road improvement project that benefits a specific subset of the population. The City will form an LID and assess the property owners
  - Utility Local Improvement District (ULID): Like an LID, but the primary difference is that revenue bonds must be issued for ULIDs, and the bonds are backed by both assessments and utility revenues

- ▶ **FEDERAL AND STATE LOANS:** Loans through government agencies such as Department of Ecology (DOE) and U.S. Department of Agriculture (USDA).
- ▶ **REFUNDING BONDS:** A procedure where an issuer (City) refinances an outstanding bond by issuing new bonds because interest rates have fallen.
- ▶ **TANs, BANs, RANs, and GANs:** TANs (tax anticipation notes), BANs (bond anticipation notes), RANs (revenue anticipation notes), and GANs (grant anticipation notes) are **short-term** borrowing repaid out of money derived from the source(s) in anticipation of which they were issued or from any money otherwise legally available.
  - Example: GAN for Thornton Overpass project was used as working capital until reimbursed by State grant
  - Example: RAN for WWTP project was used as working capital until reimbursed by DOE

# DEBT LIMITS

## GENERAL OBLIGATION (GO) DEBT LIMITS:

- ▶ Based on a percentage of taxable property values. Constitutional (Washington State Constitution) Debt Limits: The level of debt limitation is separated into non-voted and total debt:
  - Non-voted debt ( Councilmanic or LTGO) cannot be greater than 1.5% of assessed value (AV) of taxable properties in the jurisdiction
  - Total debt (including voted and non-voted debt) cannot be greater than 5% of assessed value AV
  - Constitutional debt limits represent the maximum debt a jurisdiction would ever be allowed

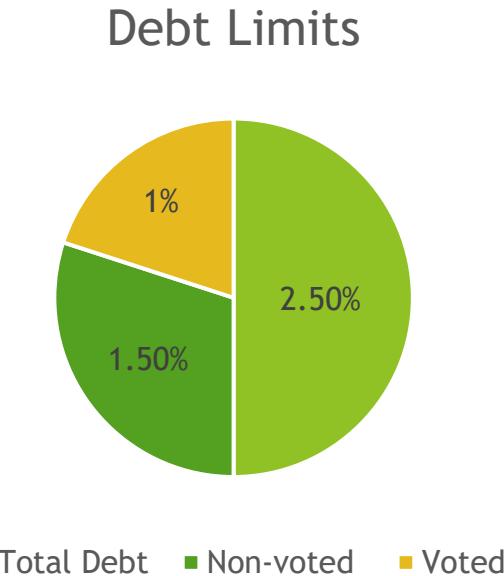
## DEBT LIMITS-cont'd

- ▶ **REVENUE BONDS:** Not subject to constitutional or statutory debt limits. Investors will look to see if revenues are enough to cover debt payments.
- ▶ **SPECIAL ASSESSMENTS:** Not subject to constitutional or statutory debt limits because the debt payments are paid by property owners.

# CALCULATING DEBT CAPACITY

## 2025

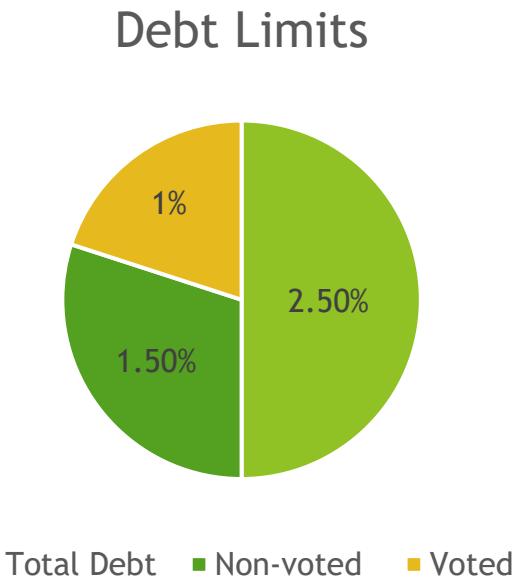
- ▶ Assessed Value: \$3,549,451,224
- ▶ Non-voted debt: \$1,961,000
  - Overall Debt Limit: \$88,736,281 (AV x 2.5%)
  - Current Non-Voted Debt Outstanding: \$2,526,506
  - The City of Ferndale is at .071% (GO Debt / AV)
  - Other Debt (Loans): \$450,418
    - WC EDI and PWTF Storm



# CALCULATING DEBT CAPACITY

## 2025- including Civic Campus

- ▶ Assessed Value: \$3,549,451,224
- ▶ Non-voted debt: \$9,461,000
  - Overall Debt Limit: \$88,736,281 (AV x 2.5%)
  - Current Non-Voted Debt Outstanding : \$10,026,506
  - The City of Ferndale is at .282% (GO Debt / AV)
  - Other Debt (Loans): \$450,418
    - WC EDI and PWTF Storm



## City of Ferndale

## Long-Term Debt 2025

Description	Financial Institution Held at	Original Issuance Amount	Date of Issuance	Date of Maturity	1/1/2025 Principal Balance	2025 Principal Payment	2025 Interest Payment	Total 2025 Payment	12/31/2025 Principal Balance
<b>General Obligation:</b>									
Whatcom Co. EDI (Economic Development Initiative) Loan Centennial Riverwalk Park	WC Executives	1,206,458.00	2007	2027	204,625.00	67,203.00	3,069.00	70,272.00	137,422.00
LOCAL Program Water Booster Pump Station Bond	US Bank	1,155,000.00	2008	2028	290,000.00	70,000.00	12,750.00	82,750.00	220,000.00
LOCAL Program Bond - Land Purchase for Public Facilities (Library)	US Bank	715,000.00	2009	2028	190,000.00	45,000.00	4,825.00	49,825.00	145,000.00
LOCAL Program - Heavy Equipment	US Bank	352,073.70	2016	2026	85,506.03	41,710.00	3,233.00	44,943.00	43,796.03
<b>Facilities BAB (Build America Bonds)</b>									
LTGO Refunding Bonds 2020 2010- Griffintown Park, Pioneer Pavilion, Temporary Library, Police Station Construction (2020 Refunding)	Chase (contact greg shaw)	3,168,000.00	2020	2030	1,806,000.00	294,000.00	26,729.00	320,729.00	1,512,000.00
Facilities LTGO Bonds 2011 Police Station	US Bank	1,625,000.00	2011	2025	155,000.00	155,000.00	6,200.00	161,200.00	-
PWTF Loan-Storm - Regional Storm Pond	Dept of Commerce	583,759.00	2012	2032	245,793.34	30,724.14	614.47	31,338.61	215,069.20
<b>Total General Obligation</b>				10,405,290.70	2,976,924.37	703,637.14	57,420.47	761,057.61	2,273,287.23
<b>Revenue Obligations:</b>									
Revenue Bonds- Refunding Bonds Water & Sewer System Improvements 2011B	US Bank - Parity Bond	3,926,000.00	2020	2031	2,803,000.00	369,000.00	70,075.00	439,075.00	2,434,000.00
Revenue Bonds - Sewer & Storm System Improvements	US Bank - Parity Bond	8,965,000.00	2014	2033	4,955,000.00	470,000.00	195,063.00	665,063.00	4,485,000.00
Revenue Bonds-Water & Sewer (WTP Upgrade & Shop Well #2)	US Bank - Parity Bond	5,739,000.00	2020	2035	4,225,000.00	357,000.00	102,585.00	459,585.00	3,868,000.00
WWTP Upgrade Construction Loan (Department of Ecology)	Dept of Ecology	34,395,861.88	2019	2041	31,461,096.55	1,466,902.00	624,521.00	2,091,423.00	29,994,194.55
Whatcom County Exec.- Emergency Water Intertie Loan	WC Executives	325,000.00	2023	2043	310,240.00	14,908.00	3,102.00	18,010.00	295,332.00
Whatcom Co. EDI (Economic Development Initiative) Loan WTP/Well Projects	WC Executives	2,000,000.00	2025	2045	2,000,000.00	90,831.00	20,000.00	110,831.00	1,909,169.00
<b>Total Revenue Obligation</b>				53,960,672.88	45,754,336.55	2,768,641.00	1,015,346.00	3,783,987.00	42,985,695.55
<b>Totals</b>									
				64,365,963.58	48,731,260.92	3,472,278.14	1,072,766.47	4,545,044.61	45,258,982.78

# QUESTIONS?