City of Fort Collins Debt Position

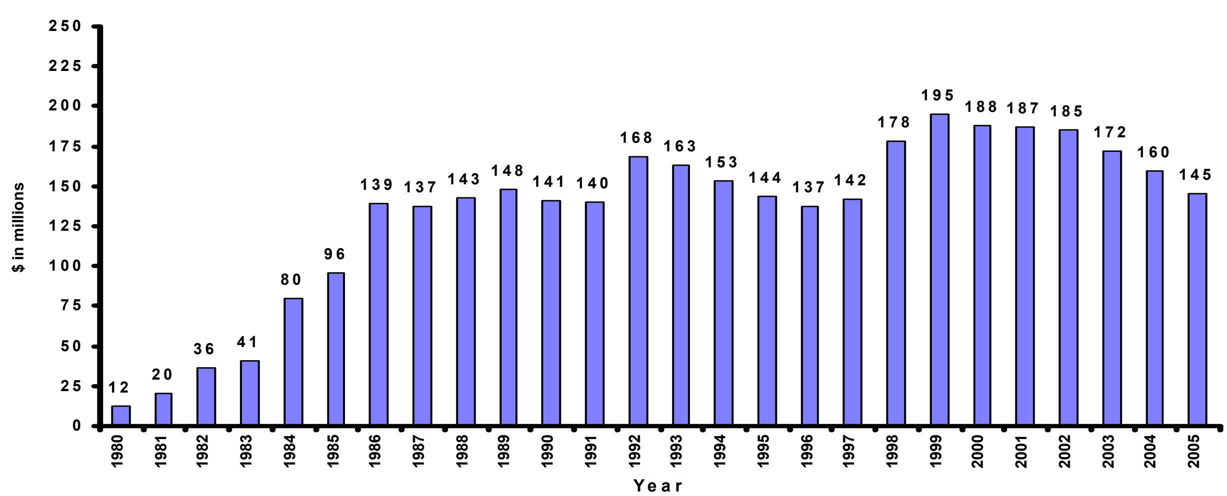
Overview and Debt Financing Principles

The ability to use long-term financing adds flexibility to municipalities. Like many other local governments, Fort Collins uses debt to acquire equipment or build improvements that will provide services or benefits for several years. Sustained growth challenges a local government's ability to construct a wide range of public facilities to meet the service demands of residents. Often, there is a time lag from service demands of growth and the corresponding growth in revenue sources, particularly tax sources.

Communities have three basic choices to meet the demand for public facilities: pay-as-you-go financing, debt financing and public-private ventures. Relying too heavily on any one of the financing options can jeopardize a local government's fiscal health. Over-reliance on one technique may also reduce its ability to respond to changes in economic and demographic conditions. Determining the appropriate combination of financing techniques to meet Fort Collins' needs has been a major challenge for decision-makers.

Between 1970 and 1980, the population of Fort Collins grew at an annual rate of more than four percent. While the pace of growth subsided during the 1980s, it remained at or about three percent per year. In the 1990s, the growth rate has edged lower to about 2.8 percent per year. In response to growth in demand for services, the City used all three financing techniques to finance public facilities. The chart below displays the rapid rise in the total amount of debt in the early 1980s and its later stabilization. The large increase in 1992 is due to the financing of improvements for the water reclamation (sewer) system. The increase in 1998 and 1999 is due to the debt issued for water and stormwater utility improvements and the downtown civic center projects – the parking structure and new administrative office building.

Chart 1. City of Fort Collins, Colorado
Outstanding Debt at Year-end 1980-2005



In addition to the use of debt financing, the City primarily uses the pay-as-you-go financing method in its capital programs. In some instances, the City has also used joint ventures with private developers to provide needed facilities and infrastructure.

Debt financing allows construction of improvements in advance of or as the need arises rather than delaying projects until enough revenue is accumulated. By using debt financing, the costs of the improvements will be more fairly distributed to the users over the expected useful life.

The goal of Fort Collins' debt policy is to maintain the ability to provide high quality essential city services in a cost-effective manner. City officials balance service needs with maintaining the ability to borrow at the lowest possible rates. To soundly finance a project through the issuance of long-term debt, the City uses the following guidelines:

- Revenue sources used to pay off the debt will be based on conservative projections.

- The financing of the improvement will not exceed its useful life.

- The benefits of the improvement must outweigh its costs, including the interest costs of financing.

Through the application of these policies, the Council rigorously tests the demand for debt financing.

While other cities may use debt to cover deficits (annual expenditures greater than annual revenue) and to cover short-term cash flow difficulties, Fort Collins limits debt to essential and necessary capital projects. The two-year budget integrates debt financed projects into the City's capital improvement plan which also includes significant pay-as-you-go projects. The budget links all capital projects to the services that the City has decided to provide to its residents and visitors.

Types of City Debt

The source of authority for debt financing is the City Charter. The Charter lists the following securities to evidence indebtedness:

- Short-term notes
- General obligation securities
- Revenue securities
- Refunding securities
- Tax increment and other securities not in contravention with the Charter.

The following table presents a synopsis of City debt. The table distinguishes between general government (tax supported) debt and debt of City-operated (fee supported) enterprises.

Table 1. City of Fort Collins, Colorado
Debt Outstanding at Year-end:
Estimated 2003; Projected 2004 & 2005

	Estimated 2003	Projected 2004	Projected 2005
Government Debt			
Sales Tax Revenue Bonds	$ 5,430,000	$ 4,575,000	$ 3,700,000
Downtown Development Authority Tax Increment	4,383,000	3,233,000	1,365,000
Highway Users Tax Revenue	2,559,464	2,304,464	2,044,464
Total-Government	$ 12,372,464	$ 10,112,464	$ 7,109,464
Enterprise Fund Debt			
Colorado Drinking Water Loan	$ 11,771,986	$ 11,078,917	$ 10,369,415
Water Revenue Bonds*	30,285,781	28,692,558	27,044,334
General Obligation Water Bonds	16,410,000	13,455,000	10,455,000
Sewer Revenue Bonds	18,180,000	17,890,000	16,170,000
Colorado Clean-Water Loan	14,040,268	12,825,217	11,575,224
Storm Drainage Revenue Bonds	39,445,000	37,590,000	35,670,000
Colorado Water Pollution Loan	8,902,500	8,510,000	8,105,000
Total-Enterprise	$139,035,535	$130,041,692	$119,388,973
Total Outstanding Debt	$151,407,999	$140,154,156	$126,498,437
Other Obligations			
Capital Lease Obligations	$20,822,000	$19,815,000	$18,757,000
Grand Total Debt and Other Obligations	$172,229,999	$159,969,156	$145,255,437

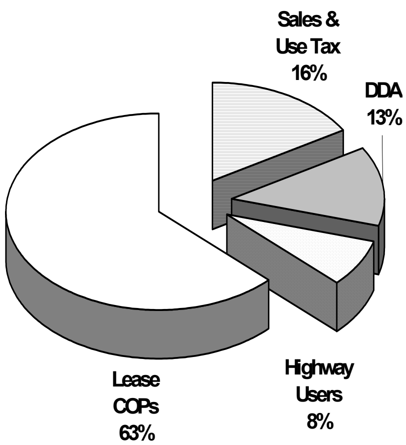
**Includes Subordinate Water Revenue bond dated 12/01/03 issued January 2004.*

The City prefers to use securities supported by specific revenue sources, rather than rely on the pledge of general obligation (property tax supported) debt. In part, this is due to a state constitutional limitation on the amount of general obligation debt. Total general obligation debt may not exceed 10 percent of the assessed valuation of the property. An important exclusion from this calculation is debt issued for water rights and water treatment facilities.

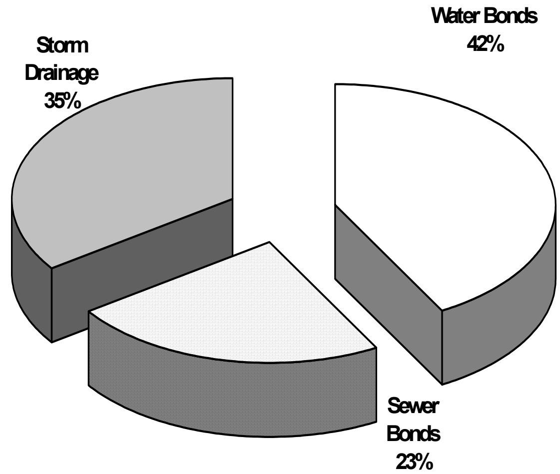
The City does not have any outstanding general obligation debt subject to the state constitution debt limit. The debt for water rights and treatment facilities does not count in the City's debt burden for purposes of the limitation. This means that the City has conserved its general obligation issuance capacity for future projects to be approved by the voters. The pie charts below graphically display the City's debt structure, emphasizing the large share of enterprise operations.

Chart 2. City of Fort Collins, Colorado
Total City Debt By Category
2003 Debt & Capital Lease Obligations at Year-end = $172,229,999

Governmental Funds
$33,194,464 - 19.3%



Enterprise Funds
$139,035,535 - 80.7%



As Chart 2 shows, the City uses specific revenue sources to support specific projects. Fees and charges to customers support water and wastewater projects. Customers within specific storm water basins that have improvements constructed therein pay for them through capital fee charges. The Downtown Development Authority debt is payable through the property tax that is assessed on the additional value that has been added since the base year. Sales tax revenue supports several projects that are of more general use.

The City issued a large portion of the outstanding sewer, water, and sales tax debt to support improvements for the Anheuser-Busch brewery. Through a master agreement, Anheuser-Busch pays its portion of the debt service. Anheuser-Busch received a credit for sales and use tax and property tax revenues collected during the construction period. Since the production phase began, the master agreement limits the credit to a share of the property tax paid by the project and supplemental user payments from Anheuser-Busch.

In 2004, Anheuser-Busch will pay a significant portion of debt service to the City. The total amounts to about $2.6 million of the City's annual debt service for the Sales and Use Tax Bonds, Sewer Revenue Bonds, and General Obligation Water Revenue Bonds. These shares of total debt service are $1.0 million for Sales Tax, $781,000 for Sewer, and $779,000 for Water.

Bond Ratings

To attain the lowest possible interest rates and to be sure it has the widest markets for its bonds, the City obtains a credit rating from the major rating services. The stronger the rating, the lower the interest rate and the lower the cost to taxpayers and users of City services. In some cases, the City may also purchase insurance when the economic analysis shows more benefit than cost. Bond insurance provides additional support for the creditworthiness of the bonds and improves (lowers) the interest costs. The two major rating services are Standard & Poor's and Moody's Investors Service. A comparison of their respective ratings and their meaning is presented in Table 2.

Table 2. Moody's and Standard & Poor's
Credit Ratings for Municipal Bonds

Rating		Description
Moody's	**Standard & Poor's**	
Aaa	AAA	Best quality, extremely strong capacity to pay principal and interest
Aa	AA	High quality, very strong capacity to pay principal and interest
A	A	Upper medium quality, strong capacity to pay principal and interest
Baa	BBB	Medium grade quality, adequate capacity to pay principal and interest.
Ba and lower	BB and lower	Speculative quality, low capacity to pay principal and interest.

Note: Within groups, Moody's designates those bonds with the strongest attributes with a 1, for Instance A1 or Aa1 would be of slightly higher quality than A2 or Aa2. Standard & Poor's attaches "+" or a "-" to indicate slight variation within the rating groups. Examples would be AA- or A+ to indicate a credit better than an "A" but less than an "AA."

Bonds issued by the City of Fort Collins continue to receive and maintain very favorable ratings from both rating agencies. The most recent bond ratings are:

	Moody's	Standard & Poor's
General Obligation Water Bonds	Aa1	AA
Sales & Use Tax- Revenue Bonds*	Aa2	No rating
Downtown Development Authority - Insured	Aaa	AAA
Sewer Revenue Bonds*	A1	No rating
Storm Drainage Revenue Bonds	A1	A+
Water Revenue Bonds	A2	A+
Highway Users Tax Revenue Bonds	Aa2	No rating
Lease Certificates of Participation	Aa2	No rating

**Fitch has rated the City's Sales & Use Tax Revenue Bonds "AA" and the City's Sewer Revenue Bonds "AA-".*

Ratings for General Government Debt

Credit rating agencies base their ratings of the City's general government debt on a combination of factors. These key factors include debt burden, economic characteristics, government organization, and financial performance. The agencies do not view any one factor as most important. They weigh strengths and weaknesses in each area within the context of potential impact on issuer's ability and willingness to repay the debt. The statements below summarize the City's credit position.

Moody's Investors Service believes

> "Fort Collins' financial operation will continue to be characterized by a trend of ample reserves and a strong cash position given the city's prudent fiscal management and continued revenue growth. . .Moody's expects reserve levels to remain strong mitigating concerns associated with the city's large dependence on sales and use taxes. Moody's expects that the city's conservative budgeting and spending practices, which have sustained a sound financial position, will continue, and that satisfactory financial operations will be maintained." [2003 Sales and Use Tax Bond Rating]

Standard & Poor's last affirmed its rating of the City in January 2002. They consider the overall outlook for Fort Collins credit status stable. Standard & Poor's analysis stated:

> "Fort Collins's financial performance and position are sound. The stable outlook is supported by the city's stable economic performance and strong financial position with manageable future capital expenditures." [2002 General Obligation Water Refunding]

Fitch Ratings stated:

> "The 'AA' rating reflects Fort Collins' very strong debt service coverage, rapid amortization, and overall economic health. The 'AA' rating also reflects low debt levels with no current plans to issue additional sales and use tax revenue debt. Risks include possible revenue volatility due to future economic fluctuations and the city's heavy reliance on sales and use taxes as a main source of revenue. The Rating Outlook is stable." [2003 Sales and Use Tax Bond Rating]

When checking debt burden, the rating agencies consider debt per capita and debt as a percentage of the estimated full value of property within the City. This is an estimate of the liabilities of the issuer compared to its wealth. The rating agencies also consider the issuer's annual debt service as a percentage of general government expenses to be a good indicator of the ability to repay debt. All of these indicators are below the national medians for cities of comparable size.

Governmental Purpose Revenue Bonds

A significant portion of the City's governmental debt is secured by the pledge of its sales and use tax collections. When evaluating the credit quality of revenue bonds, the key aspect is the coverage ratio of the pledged revenue to the annual debt service. Table 3 shows the sales tax revenue bond coverage for the past several years.

Table 3. City of Fort Collins, Colorado
Sales & Use Tax Revenue Bond Coverage, 1993-2005

Year	Total Revenue Available for Debt Service	Total Debt Service	Coverage
1993	$ 29,438,179	$ 2,745,302	10.72
1994	32,345,191	2,854,395	11.33
1995	35,381,156	2,850,015	12.41
1996	38,350,513	2,848,095	13.47
1997	40,416,363	2,847,103	14.20
1998	45,325,646	2,852,580	15.89
1999	50,699,053	2,844,035	17.83
2000	52,346,674	2,842,928	18.41
2001	56,643,203	2,849,043	19.88
2002	53,757,585	2,846,633	18.88
2003 estimated	53,259,055	2,310,590	23.05
2004 projected	53,567,104	996,250	53.77
2005 projected	56,091,059	999,150	56.14

The sales tax revenue bond debt service coverage ratio is extremely strong and is one of the reasons for the upgrade by Moody's Investors Service in 1998. From the credit analysis perspective, the City has sufficient sales tax revenue to support a much larger debt burden without putting the credit rating at risk. The City has pledged City's sales tax revenue to enhance the credit of the Downtown Development Authority tax increment debt. In the unlikely event that revenue from the tax increment and other revenues of the Authority would be insufficient to cover the debt service, the City would transfer revenue to cover any shortfall.

Enterprise Fund Debt Coverage

A city's general government debt rating provides the foundation for the evaluation of its enterprise debt. However, enterprise fund debt evaluation includes some additional analysis. While the credit rating agencies use the four basic debt factors (debt burden, economic characteristics, government organization, and financial performance of the issuer), they more closely consider the project's or enterprise's revenue generating capacity and ability to repay the debt. In testing credit risk associated with enterprise debt, the rating agencies assess the ability to continue to provide the service and the benefit to be derived from that service. They place these abilities in the context of the fees and rates charged for that service. Simply stated, the ability to cover the debt through operations is most important. For enterprise fund debt in Fort Collins, the following coverage levels apply.

Table 4. City of Fort Collins, Colorado
Enterprise Fund Revenue Bond Coverage 1993-2005

	G.O. Water & Water Revenue		Wastewater		Stormwater	
Year	**Debt Service**	**Coverage**	**Debt Service**	**Coverage**	**Debt Service**	**Coverage**
1993	$5,366,075	1.85	$4,412,561	1.96	$ 924,291	2.72
1994	5,340,576	2.10	5,270,196	1.76	951,546	3.13
1995	5,036,986	2.29	5,219,762	1.80	1,006,146	3.24
1996	5,054,919	2.62	5,157,926	1.83	1,010,806	3.38
1997	5,069,466	2.38	5,070,010	1.63	822,029	4.28
1998	5,242,744	2.76	4,963,008	2.01	1,179,328	3.31
1999	7,760,466	2.13	4,880,319	1.90	1,674,146	3.00
2000	8,069,792	2.29	4,953,529	1.96	2,811,668	1.98
2001	8,085,835	2.61	5,097,888	2.07	3,054,566	1.97
2002	8,087,864	2.18	5,534,146	1.53	3,991,571	2.25
2003 est.	7,110,335	1.86	7,667,137	1.21	4,446,736	2.09
2004 proj.	7,248,517	1.86	3,455,644	2.68	4,441,652	2.11
2005 proj.	7,225,592	1.87	4,843,680	1.63	4,439,130	2.34

Most Recent Bond Issues

From 1993 to 1996, the City did not issue any new bonded indebtedness. From 1997 to 2001, a total of $83.2 million of new money bonds and loans, $15.8 million of refunding bonds, and $24.3 million of lease purchase certificates of participation were issued. In 2002 and 2003 the City and its utilities issued $12.3 million of new bonded debt and $27.8 million of refunded debt. Each of the 2002 and 2003 transactions is described briefly below.

New Bonds and Loans:

2002 Storm Drainage Revenue Bonds. On February 1, 2002, the Stormwater Utility Enterprise of the City issued $12,300,000 of bonds. The proceeds will be used to provide financing for construction of improvements in the Canal Importation and Dry Creek storm drainage basins. These improvements are consistent with the Stormwater Financing Plan adopted by City Council in August 2001. The bonds have a 20-year life and carry an average interest rate of 4.65%. Annual debt service payments will average approximately $960,000.

Refunding Issues:

When interest rates decline, Fort Collins may reduce its total debt service by refunding outstanding debt. The City may also restructure debt issues if projected revenue sources are not meeting debt service demands. The City Finance Department monitors changes in interest rates and checks the debt structure of its issues. When appropriate, the City has refunded and restructured debt. Over the past few years, interest rates on municipal bonds have declined to the lowest rates in over 15 years. This situation provided the City an opportunity to lower the amount of debt service it pays on bond issues. The following bond refundings were completed in 2002 and 2003:

2002 Storm Drainage Revenue Refunding Bonds. On September 15, 2002, the City's Stormwater Utility Enterprise completed a refunding of its 1992 Storm Drainage Revenue Refunding Bonds. The amount of bonds refunded totaled $2,800,000. The refunding lowered the interest rate from 6.19% to 2.48%. Over the remaining life of the issue, the Enterprise will save $284,402 or 10.3%. In terms of present value, this is a savings of $396,813.

2002 General Obligation Water Refunding Bonds. In September of 2002, the City Council approved the refunding of the outstanding $19,255,000 General Obligation Water Bonds, Series 1992B and 1992C. The refunding reduced the interest rate on the bonds from 6.30% to 2.47%. This lower interest rate resulted in a net present value savings of $2,308,700 or 12% of the current bonds and 10.46% of the par amount of the refunded bonds. The savings will accrue to the Water Fund and a portion will be shared with Anheuser-Busch according to contractual requirements.

2003 Sales and Use Tax Revenue Refunding Bonds. On April 1, 2003, the City refunded its outstanding Sales and Use Tax Revenue Refunding Bonds, Series 1993. The amount of the bonds issued was $5,730,000. The refunded bonds carried interest rates ranging from 5.0% to 5.375%. The blended rate on the new bonds is 2.31%. The reduced rates results in net present value savings of $578,005 or 10.09% of the par amount of refunded bonds. Under the Master Agreement with Anheuser-Busch, the City will reduce the amount of annual supplemental user fee that Anheuser-Busch will pay on its share of the bonds.

Short Term Financing:

The City and the Downtown Development Authority (the "DDA") use tax increment short-term financing to make significant contributions to the redevelopment and improvement of the City's downtown area, while not increasing the City's debt position. The source of payment on DDA bonds is surplus tax increment revenue held by the DDA debt service funds. According to state statutes, surplus tax increment revenue may only be used to make payment on debt. Through the following transactions, the DDA was able to participate in local projects and to retire these bonds on the same day they were issued, thereby avoiding interest costs.

2002 DDA Subordinate Tax Increment Revenue Bond. Issued by the City and the DDA on December 30, 2002 for $1,065,000.

2003 DDA Subordinate Tax Increment Revenue Bond. Issued by the City and the DDA on November 17, 2003 for $1,000,000.

Debt Financing after the Constitutional Growth Limit (1992 Amendment 1)

In November of 1992, Colorado voters approved a revenue and spending limitation amendment to the state constitution. The amendment is Article X, Section 20, the Taxpayers Bill of Rights ('TABOR"). In general, the amendment limits increases in government expenditures to regional inflation plus growth in the local real property values. It requires advance voter approval of any new taxes or tax policy changes, which would result in an increase in government revenue. The constitution, as amended, requires advance voter approval of all long-term debt not previously subject to election requirements. Enterprise systems that qualify according to criteria in the constitutional amendment are exempt from the provisions. In April of 1993, the City's voters approved a charter amendment to conform the City's utilities (electric, water, wastewater, and stormwater) to the amendment.

Article X, Section 20, of the state constitution has made the use of debt financing more difficult and more costly. The rating agencies have increased their level of scrutiny of all Colorado issuers. In the rating upgrade, Moody's noted the voters approval of the "measure allowing the city to . . . permanently retain any and all revenues in excess of the restrictions" was a key factor in the decision to improve the City's credit rating.

Operating Equipment Lease Purchase

In Colorado, the legal definition of debt does not include lease purchase obligations. Despite the legal distinction, the City recognizes lease purchase as a multi-year financing arrangement and includes lease purchase in debt calculations.

The reasons for using lease purchase are virtually the same as those used to justify bond financing. The City uses lease purchase to acquire equipment with a useful life of three to ten years. The City uses the equipment to provide services, but pays off the lease purchase over the life of the equipment. Total lease purchase obligations outstanding at the end of each of the prior five years has been as follows:

1998	5,076,419
1999	5,820,060
2000	5,616,649
2001	4,947,921
2002	5,575,006

Lease purchase activity in 2003 included the acquisition of equipment for the Police Department, Engineering, and Golf operations. The total amount of the 2003 lease is approximately $1,460,963 and maximum annual lease payments will be about $323,676. In 2003, total lease payments on all outstanding leases will be $1,646,540.

For the equipment currently on lease purchase at year-end 2003, the City anticipates the following payment schedule for the period 2004 through 2009:

2004	1,569,657
2005	1,052,898
2006	747,975
2007	387,378
2008	80,919
2009	0

In 2004, the Finance Department anticipates that two equipment leases will be completed, approximately $2 million of additional lease obligation principle.

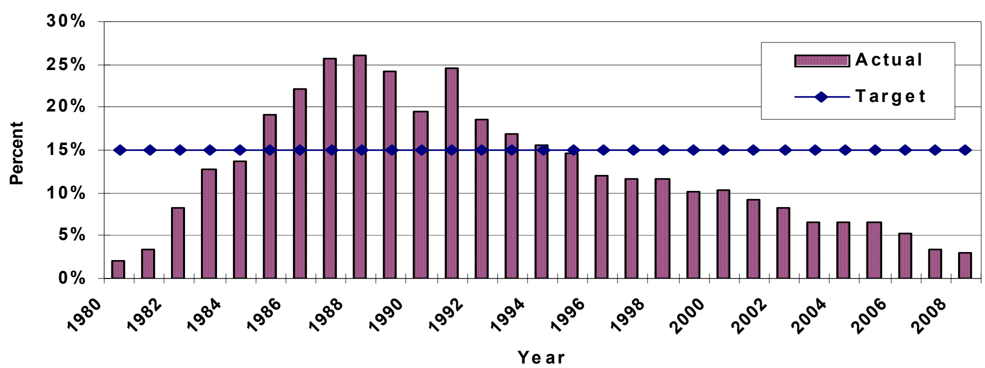
Unless users decide equipment associated with the lease payment schedule is no longer necessary, future lease payments will be appropriated as part of the budget. Council treats lease purchase obligations like debt service obligations. To date, all City lease purchase transactions have been done with leasing firms. Credit ratings for equipment lease transactions would not provide any economic benefit because the transactions are too small. If the size of the transactions continues to increase, future lease purchasing obligations may be done with a credit rating. City Council most recently reaffirmed its lease purchase policy as part of the Financial and Management Policies for the 2004-2005 Budget.

Debt Management Policies

In the 1991 Budget, the Council set the policy to monitor and manage its direct debt. The policy made general government annual debt service as a percent of general government operating expenses as the key debt indicator. The Council set a goal of 10 to 12 percent of annual operating expenses as the upper limit target for its debt policy. This level of debt service is a common measure of an issuer's ability to pay its obligations. In 1997, the Council revised the upper limit level to 15% of operating expenses and also simplified the calculation. When the Council adopted the 2004-2005 Budget, it reaffirmed the limit of 15%.

The following chart shows the City general government debt service percentage of operating expenses over past years and the five-year budget projection period.

Chart 3. City of Fort Collins, Colorado
General Government Debt as a Percent of
Annual Operating Expense, 1980 - 2008



The chart shows that the debt service share of annual operating expense began to diminish in 1989. The general trend is downward since then with only one major increase. The 1991 increase was due to prepayment of debt service for special districts, the General Improvement District bonds and some general obligation park bonds. The chart also shows the City now has some unused debt capacity within its policy.

Future Debt and Capital Lease Obligation Planning

Governmental Functions. In the five-year budget planning horizon, the City has not planned for additional bonded indebtedness for general government operations. The City will complete most major capital improvements for general government operations on a pay-as-you-go basis through the next round of capital project programming. The current program is called Building Community Choices; it expires in 2005. The City is contemplating an election in April of 2005 to renew two quarter-cent sales and use tax levies to support several million dollars of new projects.

In 2005, the City plans to begin construction of a new Police Services building. The projected cost is $28 million. The building will be financed from reserves and a lease certificate financing. The source of funding will be the City's General Fund. Ongoing funding has already been earmarked for this purpose.

City staff has been planning the financing of a new library, a new performing arts center. All of these items could be future ballot items to be financed through a combination of new bond issues, lease purchase transactions, contributions from the Downtown Development Authority, and additional revenues. The time-frame for these projects is 2005.

Enterprise Functions. The long-range capital plans of the enterprise funds contemplate significant debt financing activity.

The wastewater fund revised its capital needs during the 2002-2003 budget process. In the upcoming five-year period, the wastewater utility has identified one $15 million dollar issue in 2006. The proceeds will be used for odor control at the Drake Water Resource Recovery Plant and other plant improvements.

The water utility revised its capital needs in the 2004-2005 budget process. The water utility is anticipating a $30 million bond issue in 2006. The proceeds will be used for the Halligan Reservoir Expansion for water storage and other water facilities capital improvements including meter replacement and distribution system replacement. In 2003, the utility also issued a $4.15 million subordinate revenue bond (which will close in 2004) to exercise its option to proceed with the Halligan Reservoir project.

The stormwater utility issued $12.3 million of bonds in 2002 as directed in the Stormwater Financing Plan in response to the needs identified after the 1997 flood. The City will use the funds to continue to make improvements in several drainage basins. The utility does not anticipate any new debt during the five year budget horizon.

The electric utility anticipates that its capital needs will also be financed on a pay-as-you-go basis. However, the status of the electric utility is subject to change as deregulation may occur on either the federal or state level. In past years, the Colorado General Assembly considered a bill to deregulate electric utilities within the state. The U.S. Congress also considered a number of deregulation bills. The electric utility is planning for the potential change. In the five-year budget period the utility has not included any debt. However, this may change should deregulation require capital improvements to sustain or enhance the electric utility's competitive position.

Conclusion

City Council and management have set policies to be sure it meets debt obligations in a timely manner and that it considers new debt issuance carefully. Staff has included those policies into the Financial and Management Policies. Briefly summarized, the policies include:

- Conservative revenue projections.
- Rate increases based on related cost of services provided and the impact of inflation on those services.
- Lease purchase equipment and real property when supported by cost-benefit analysis.

- Accumulation of adequate reserves to protect the City from uncontrollable expenditures or unforeseen reductions in revenues.
- Issue debt only after rigorous testing and if there is an appropriate balance between service demands and the amount of debt.
- Setting a target debt level for general government annual debt service at 15 percent of operating expense.

The City communicates with other governmental entities to be sure that their debt issues as well as the City's remain at conservative levels. The overall debt levels should not become an undue burden on the taxpayers of Fort Collins.

The City's overall financial health is positive and this supports the strong credit rating that it receives from the rating agencies. Sales and use tax revenue collections and other revenue sources that back most of the City's debt continue to meet or exceed original projections. The City Council and management through the Financial Management Policies have placed emphasis on continued effort toward maintaining and improving the City's financial performance.

City of Fort Collins
Outstanding Debt and Lease Obligations

The following schedule summarizes the financial obligations of the City as of December 31, 2003 and projects 2004 and 2005 year-end obligations based on current repayment schedules:

	Estimated 2003	Projected 2004	Projected 2005
Bonds Serviced by Sales and Use Tax Fund, secured by sales and use tax revenue and reserves:			
Sales and Use Tax Revenue Refunding Issued in 2003, maturing in 2009	$ 5,430,000	$ 4,575,000	$ 3,700,000
Bonds Serviced by Downtown Development Authority, secured by tax increment property taxes and with contingent security from sales and use tax revenues:			
Property Tax Increment Revenue Refunding Issued in 2001, maturing 2006	1,310,000	160,000	80,000
Property Tax Increment Issued in 1992, maturing 2006	2,465,000	2,465,000	1,285,000
Bonds Serviced by Downtown Development Authority, secured by tax increment property taxes:			
Property Tax Increment Issued in 2000, maturing 2005	608,000	608,000	-
Bonds Serviced by Streets Fund, secured by Highway Users Tax Revenues:			
Highway Users Tax Revenue Refunding Bonds, Issued 1992, maturing 2012 (includes Capital Appreciation Bond premium)	2,559,464	2,304,464	2,044,464
General Government Debt Total	**$12,372,464**	**$10,112,464**	**$ 7,109,464**

	Estimated 2003	Projected 2004	Projected 2005
Bonds Serviced by the Water Fund, secured by Water Fund Revenues, general obligation water bonds are secured by the full faith and credit of the City:			
General Obligation Water Bonds Issued in 2002, maturing in 2009	$16,410,000	$13,455,000	$10,455,000
Colorado Water Resources & Power Development Authority Issued in 1999, maturing in 2019	4,092,809	3,877,971	3,657,694
Water Revenue Bonds Issued in 1998, maturing in 2018	26,135,000	24,730,000	23,270,000
Colorado Water Resources & Power Development Authority Issued in 1997, maturing in 2017	7,679,177	7,200,946	6,711,722
Subordinate Water Revenue Bond Issued in 2004 (dated 12/01/03), maturing in 2030	4,150,781	3,962,558	3,774,334
Bonds Serviced by the Sewer Fund, secured by Sewer Fund Revenues:			
Sewer Revenue Bonds Issued in 2000, maturing in 2020	5,140,000	4,945,000	4,745,000
Sewer Revenue Bonds Issued in 1995, maturing in 2010	13,040,000	12,945,000	11,425,000
Colorado Water Resources & Power Development Authority Loan Issued in 1992, maturing in 2014	14,040,268	12,825,217	11,575,223
Bonds Serviced by the Storm Drainage Fund, secured by Storm Drainage Fund revenues:			
Storm Drainage Revenue Bonds Issued in 2002, maturing in 2022	11,895,000	11,475,000	11,045,000
Storm Drainage Revenue Bonds Issued in 2002, maturing in 2008	2,415,000	2,040,000	1,660,000
Colorado Water Resources & Power Development Authority Loan Issued in 2001, maturing in 2021	8,902,500	8,510,000	8,105,000
Storm Drainage Revenue Bonds Issued in 1999, maturing in 2019	17,205,000	16,445,000	15,650,000
Storm Drainage Revenue Bonds Issued in 1997, maturing in 2017	7,930,000	7,630,000	7,315,000
Enterprise Fund Debt Total	**$139,035,535**	**$130,041,692**	**$119,388,973**

Other Obligations	Estimated 2003	Projected 2004	Projected 2005
Assignment of Lease Payments (Public Safety and Recreational Improvements) executed and delivered in 2001, maturing in 2021	$3,482,000	$3,355,000	$3,222,000
Lease Certificates of Participation (Golf Course and Downtown Sidewalks Project) executed and delivered in 1999, maturing in 2019	2,700,000	2,510,000	2,310,000
Lease Certificates of Participation (Civic Center Project) executed and delivered in 1998, maturing in 2018	14,640,000	13,950,000	13,225,000
Equipment Leases executed various years, maximum maturity in 2008	3,528,111	2,118,197	1,164,770
Other Obligations Total	**$ 24,350,111**	**$ 21,933,197**	**$ 19,921,770**
TOTAL LONG-TERM DEBT & LEASE PAYMENTS	**$175,758,110**	**$162,087,353**	**$146,420,207**

Required Lease Purchase Agreements Disclosure

The State of Colorado House Bill 90-1164, approved on April 9, 1990, ”declares that the use of lease purchase agreements by local governments creates financial obligations of those governments and that the disclosure of such obligations is in the public interest and Is a matter of statewide concern."

According to the Bill, local governments are required to identify as part of their budgets: 1) the total expenditures during the ensuing fiscal year for all lease purchase agreements involving real and personal property; 2) the total maximum payment liability under all lease purchase agreements over the entire terms of the agreements, including all optional renewal terms.

The following schedule summarizes the City of Fort Collins lease purchase agreements by fund for real and personal property.

2004-2005 Lease Purchase Schedule

	2004 Payment Obligation	2005 Payment Obligation	Future Payments	Maximum Payment Liability Over Term of Lease
Personal Property				
General Fund	$ 957,906	$ 695,256	$ 970,011	$ 7,261,234
Capital Projects Fund	7,120	5,704	0	73,930
Transportation Services Fund	227,698	170,179	64,070	1,643,577
Cemetery Fund	21,067	12,642	7,981	204,482
Water Fund	76,317	0	0	381,585
Golf Fund	162,988	105,572	154,226	1,154,919
Equipment Fund	116,561	63,545	19,983	1,118,885
Total	$ 1,569,657	$ 1,052,898	$ 1,216,271	$11,838,612
Real Property	0	0	0	0
Grand Total	$ 1,569,657	$ 1,052,898	$ 1,216,271	$11,838,612

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