

Debt Management Information

Authority to Incur Debt

The City's authority to incur debt is covered by a number of general and special statutes. With certain exceptions, the City can incur indebtedness for sewer and street construction purposes by action of the governing body of the City without a vote of the residents of the City. The Kansas statutes in chapter 10, article 3, currently provide that the general obligation bonded indebtedness for Kansas cities—including Topeka—shall not exceed 30% of the assessed valuation of all tangible taxable property within such city as certified by the County Clerk on each November 1st. The exceptions to the statutory limitations on bonded indebtedness include bonds issued for the purpose of acquiring, enlarging, extending, or improving any storm or sanitary sewer or bonds issued by any city of the first class for the purpose of acquiring, enlarging, extending, or improving any municipal utility. Also, other Kansas statutes authorizing general obligation bonds for certain specific purposes exempt such bonds from the general statutory debt limit.

Debt Payment Record and Credit Rating

The City has always promptly met principal and interest payments on outstanding indebtedness when due. The City's credit ratings on debt have been in the top tier of Moody's Investors Services. These high marks can be attributed to the City's economic stability derived from being the state capital, a prompt payment record, improved financial performance, and a manageable debt position. Consequently, the notes and bonds of the City are afforded favorable market access due to the demand demonstrated by multiple bids for the City's high quality financial instruments. Well managed financial operations, sufficient financial reserves, and careful expenditure controls indicate the City administration's intent to continue the current favorable trend in this area. Moody's Investor Services has given the City of Topeka a rating of Aa3 for General Obligation Bonds, MIG 1 for temporary notes, and Aaa for Revenue Bonds.

Debt Management

As of December 31, 2005 the City of Topeka will have accumulated a general obligation indebtedness of \$138.2 million. This level of debt requires principal and interest payments totaling \$15.2 million in 2006. Of the total general property tax levy assessed for 2006, 39.3 percent is to be used to retire general obligation debt. This is a slight reduction from the 43.0 percent in 2005. The 2004 percentage was much lower than usual, because virtually all of savings from financing of bonds in 2003 was uploaded to 2004 to reduce the property tax levy. In 2003, debt service absorbed 32.7 percent of the property tax revenue. The 10 point jump from 2003 can be largely attributed to the shift of \$1.6 million from the General Fund to the Bond and Interest Fund related to the refinancing of unfunded liability in the Kansas Police and Fire Retirement System using general obligation debt.

Although net new debt issued had been in decline since the early 1990s, an issue arose during the 1998 budget discussions concerning *debt service*, the amount of principal and interest on existing debt issues due in any budget year. Specifically, the concern surrounded debt service financed with property taxes. Due to the structure of debt issued in the early 1990s, especially a large refunding issue in 1992, debt service requirements would have escalated through 2005. The City had the opportunity in 1999 to refinance a significant piece of its outstanding debt. In doing so, the City "leveled" the debt service peak anticipated to occur. While it was realized that property tax demands for debt service would still increase; it would do so much more gradually. The restructuring was completed without a downgrade in the City's bond rating. Refinancing of debt occurred again in 2001 and the continued low interest rates provided further opportunities for refinancing \$30.3 million worth of debt in 2003. In 2004, \$38.1 million of existing debt was refinanced. There were no refunding opportunities in 2005 and future interest rates will determine activity in the future.

The trade-off of the 1999 restructure was a significant reduction in the amount of debt that could be issued over the next decade for new capital projects. The debt service model projections pegged the new general obligation debt "budget" at about \$5.0 million per year. However, that ceiling was abandoned in 2003, which had close to \$17.0 million worth of general obligation bond projects in the Capital Improvement Program (CIP). The tables on the next page are based on the approved general obligation bond financed capital improvements in the 2006-2010 capital improvements plan. The significant jump in new debt in 2005 is tied to the \$5.6 million financing of the purchase of the new Holliday office building and \$5.0 million of improvements for Heartland Park. A new parking garage is projected for financing in 2006. While the parking garage debt service is to be paid from parking revenue, the \$6.7 million in bonds will be general obligation. A \$10.0 million STAR bond is also scheduled for issuance in 2006. The STAR bond is for Heartland Park and while the debt service is to be paid with the sales tax revenue generated by the STAR bond development district, the bond is back by the full-faith and credit of the City. By staying with the current five-year CIP, debt should level out in 2008 and begin to decline as retired debt levels will outpace growth of new debt. The City will have to weigh its capital improvement needs and desires against the ongoing property tax mill levy requirements of debt service and future interest rate trends.

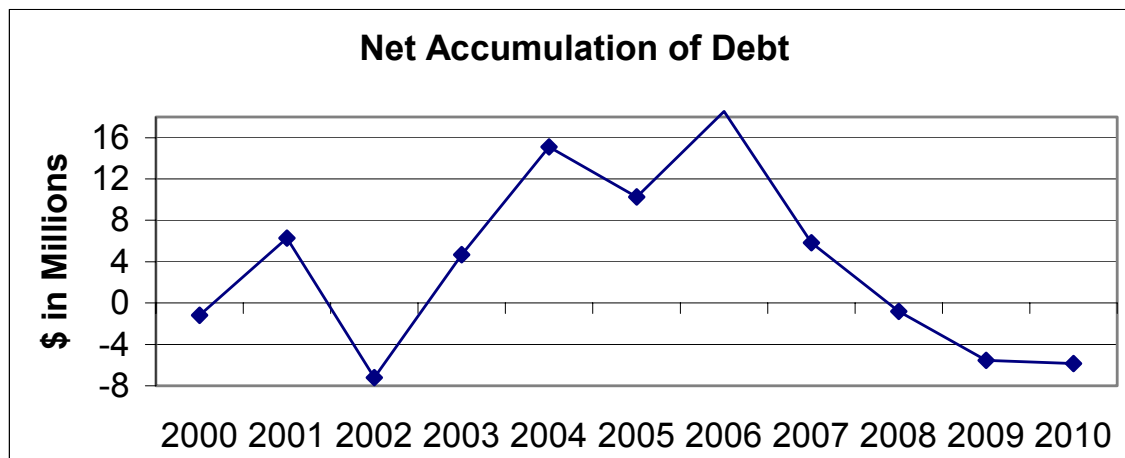
Debt Management Information

Summary of G.O. Bonds Outstanding

1992-2005 actual, 2006-2010 estimated

Year	Bonds Outstanding			Retired	Bonds Outstanding Dec 31	Net Annual Accumulation
	Jan 1	Issued				
1992	102,840,000	64,265,000	1	55,125,000	111,980,000	9,140,000
1993	111,980,000	6,275,000		5,215,000	113,040,000	1,060,000
1994	113,040,000	7,045,000		6,715,000	113,370,000	330,000
1995	113,370,000	22,865,000	1	23,020,000	113,215,000	(155,000)
1996	113,215,000	17,245,000	1	16,675,000	113,785,000	570,000
1997	113,785,000	7,000,000		7,935,000	112,850,000	(935,000)
1998	112,850,000	13,855,000	1	13,885,000	112,820,000	(30,000)
1999	112,820,000	37,700,000	2	40,175,000	110,345,000	(2,475,000)
2000	110,345,000	6,850,000		8,040,000	109,155,000	(1,190,000)
2001	109,155,000	35,905,000	1/3	29,640,000	115,420,000	6,265,000
2002	115,420,000	-		7,205,000	108,215,000	(7,205,000)
2003	108,215,000	42,335,000	1	37,665,000	112,885,000	4,670,000
2004	112,885,000	59,385,000	1	44,290,000	127,980,000	15,095,000
2005	127,980,000	20,115,000	3	9,850,000	138,245,000	10,265,000
2006	138,245,000	28,775,000	3	10,243,330	156,776,670	18,531,670
2007	156,776,670	17,019,859		11,198,977	162,597,553	5,820,882
2008	162,597,553	10,995,733		11,794,150	161,799,136	(798,417)
2009	161,799,136	6,769,450		12,311,647	156,256,939	(5,542,197)
2010	156,256,939	6,904,350		12,743,205	150,418,084	(5,838,855)

- notes: 1. includes **refunding** of existing debt to achieve future cost savings
 2. includes (a) **refunding** & (b) **reduction** of debt using Law Enforcement Center surplus
 3. includes debt backed by Parking and/or Stormwater Utilities revenue



Debt Management Information

Statement of Bonded Indebtedness As of December 31, 2004

General Obligation Debt—Limited

Park Improvements	\$	14,786,518
Public Building Improvements		33,821,394
Street Improvements		6,782,793
Trafficway Improvements		55,722,482
2004-A Pension Bonds		13,385,000
2004-A temporary notes for above purposes		19,427,767
	\$	<u>143,925,954</u>

General Obligation Debt—Outside General Debt Limit (KSA 10-309)

Sanitary and Storm Sewer	\$2,791,813		Total bonded debt \$127,980,000
Flood Control & Drainage	690,000		
Water Distribution System Improvements	0		
2004-A temporary notes for above purposes	3,712,233	7,194,046	
Total General Obligation Debt:		<u>\$151,120,000</u>	

Statement of Legal Debt Margin

As of December 31, 2004

Assessed Valuation		<u>\$1,118,149,246</u>
<small>(2004 equalized, included motor vehicle for bonded debt limitations as certified by Shawnee County Clerk March, 2005)</small>		
Legal Debt Limit : 30.00% of assessed valuation, KSA 10-308		335,444,774
Less: Outstanding debt subject to debt limit		143,925,954
Plus: Amount available in Debt Service Fund		<u>1,202,328</u>
Margin of Legal Debt:		<u>\$192,721,148</u>

Debt Management Information

City of Topeka, Kansas
Schedule of Bonded Indebtedness
December 31, 2004

Purpose	Series	Interest rates	Final maturity	Principal Amount	Outstanding 01/01/2004	Issued	Retired	Refunded	Outstanding 12/31/2004
General obligation bonds (A)									
Building Improvements	1999A	4.10%-5.25%	08/15/19	10,155,700	9,655,700	-	767,203	8,888,497	\$ -
	2000A	4.70%-5.90%	08/15/20	403,000	342,550	-	14,010	328,540	-
	2001A	4.05%-5.00%	08/15/21	6,240,000	6,240,000	-	-	-	6,240,000
	2001B	4.00%-5.10%	08/01/21	7,595,000	6,800,000	-	400,000	-	6,400,000
	2003A	1.80%-4.125%	08/15/17	523,019	489,519	-	-	-	489,519
	2003B	2.375%-5.00%	08/15/18	7,090,315	7,090,315	-	149,989	-	6,940,326
	2003C	2.70%-5.50%	08/15/23	4,331,205	4,331,205	-	86,817	-	4,244,388
	2004B	3.10%-4.25%	08/15/20	9,388,630	-	9,388,630	-	-	9,388,630
	2004C	3.10%-5.00%	08/15/24	118,531	-	118,531	-	-	118,531
				<u>45,845,400</u>	<u>34,949,289</u>	<u>9,507,161</u>	<u>1,418,019</u>	<u>9,217,037</u>	<u>33,821,394</u>
Drainage Improvements	1999A	4.10%-5.25%	08/15/19	299,800	150,000	-	11,918	138,082	-
	2001B	4.00%-5.10%	08/01/21	900,000	760,000	-	70,000	-	690,000
	2003B	2.375%-5.00%	08/15/18	43,114	43,114	-	43,114	-	-
				<u>1,242,914</u>	<u>953,114</u>	<u>-</u>	<u>125,032</u>	<u>138,082</u>	<u>690,000</u>
Sanitary and Storm Sewer	1999A	4.10%-5.25%	08/15/19	670,000	504,000	-	40,045	463,955	-
	2000A	4.70%-5.90%	08/15/20	35,300	24,710	-	1,011	23,699	-
	2001B	4.00%-5.10%	08/01/21	850,000	730,000	-	60,000	-	670,000
	2003A	1.80%-4.125%	08/15/17	161,037	149,870	-	-	-	149,870
	2003B	2.375%-5.00%	08/15/18	1,502,500	1,502,500	-	171,547	-	1,330,953
	2003C	2.70%-5.50%	08/15/23	68,895	68,895	-	1,380	-	67,515
	2004B	3.10%-4.25%	08/15/20	357,180	-	357,180	-	-	357,180
	2004C	3.10%-5.00%	08/15/24	216,295	-	216,295	-	-	216,295
			<u>3,861,207</u>	<u>2,979,975</u>	<u>573,475</u>	<u>273,983</u>	<u>487,654</u>	<u>2,791,813</u>	
Street Improvements	1999A	4.10%-5.25%	08/15/19	3,003,200	2,487,900	-	197,679	2,290,221	-
	2000A	4.70%-5.90%	08/15/20	340,500	254,880	-	10,424	244,456	-
	2001B	4.00%-5.10%	08/01/21	1,981,500	1,725,000	-	140,000	-	1,585,000
	2003A	1.80%-4.125%	08/15/17	1,167,529	1,061,446	-	-	-	1,061,446
	2003B	2.375%-5.00%	08/15/18	793,050	793,050	-	353,983	-	439,067
	2003C	2.70%-5.50%	08/15/23	890,554	890,554	-	17,851	-	872,703
	2004B	3.10%-4.25%	08/15/20	2,264,270	-	2,264,270	-	-	2,264,270
	2004C	3.10%-5.00%	08/15/24	560,307	-	560,307	-	-	560,307
			<u>11,000,910</u>	<u>7,212,830</u>	<u>2,824,577</u>	<u>719,937</u>	<u>2,534,677</u>	<u>6,782,793</u>	
Trafficway Improvements	1999A	4.10%-5.25%	08/15/19	20,085,600	18,919,900	-	1,503,299	17,416,601	-
	2000A	4.70%-5.90%	08/15/20	2,422,200	2,223,860	-	90,952	2,132,908	-
	2001B	4.00%-5.10%	08/01/21	16,428,500	11,740,000	-	1,280,000	-	10,460,000
	2003A	1.80%-4.125%	08/15/17	3,598,403	3,464,403	-	-	-	3,464,403
	2003B	2.375%-5.00%	08/15/18	14,633,860	14,633,860	-	109,145	-	14,524,715
	2003C	2.70%-5.50%	08/15/23	4,820,346	4,820,346	-	96,622	-	4,723,724
	2004B	3.10%-4.25%	08/15/20	21,002,980	-	21,002,980	-	-	21,002,980
	2004C	3.10%-5.00%	08/15/24	1,546,660	-	1,546,660	-	-	1,546,660
			<u>84,538,549</u>	<u>55,802,369</u>	<u>22,549,640</u>	<u>3,080,018</u>	<u>19,549,509</u>	<u>55,722,482</u>	
Park Improvements	1999A	4.10%-5.25%	08/15/19	3,469,100	3,199,000	-	254,180	2,944,820	-
	2000A	4.70%-5.90%	08/15/20	3,649,000	3,389,000	-	138,604	3,250,396	-
	2001B	4.00%-5.10%	08/01/21	1,910,000	1,730,000	-	95,000	-	1,635,000
	2003A	1.80%-4.125%	08/15/17	755,012	704,762	-	-	-	704,762
	2003B	2.375%-5.00%	08/15/18	842,161	842,161	-	32,222	-	809,939

Debt Management Information

City of Topeka, Kansas
Schedule of Bonded Indebtedness
December 31, 2004

Purpose	Series	Interest rates	Final maturity	Principal Amount	Outstanding 01/01/2004	Issued	Retired	Refunded	Outstanding 12/31/2004
Park Improvements (cont.)	2003C	2.70%-5.50%	08/15/23	1,114,000	1,114,000	-	22,330	-	1,091,670
	2004B	3.10%-4.25%	08/15/20	6,111,940	-	6,111,940	-	-	6,111,940
	2004C	3.10%-5.00%	08/15/24	4,433,207	-	4,433,207	-	-	4,433,207
				<u>22,284,420</u>	<u>10,978,923</u>	<u>10,545,147</u>	<u>542,336</u>	<u>6,195,216</u>	<u>14,786,518</u>
Taxable Pension Obligation	2004A	4.00%-5.00%	08/15/15	13,385,000	-	13,385,000	-	-	13,385,000
				<u>13,385,000</u>	<u>-</u>	<u>13,385,000</u>	<u>-</u>	<u>-</u>	<u>13,385,000</u>
Waterworks Improvement	1999A	4.10%-5.25%	08/15/19	16,600	8,500	-	675	7,825	-
				<u>16,600</u>	<u>8,500</u>	<u>-</u>	<u>675</u>	<u>7,825</u>	<u>-</u>
Total general obligation bonds (A)				\$ 182,175,000	\$ 112,885,000	\$ 59,385,000	\$ 6,160,000	\$ 38,130,000	\$ 127,980,000
Revenue Bonds (B):									
W&WPC Util. Refunding Revenue	1998A	3.80%-4.70%	08/01/12	11,315,000	8,030,000	-	-	8,030,000	-
W&WPC Util. Revenue	1998B	4.80%-5.10%	08/01/28	31,440,000	31,440,000	-	-	-	31,440,000
W&WPC Util. Revenue	2001A	5.30%-6.00%	08/01/19	25,365,000	24,490,000	-	455,000	-	24,035,000
W&WPC Util. Revenue	2004A	2.00%-6.00%	08/01/33	46,180,000	-	46,180,000	905,000	-	45,275,000
Total all revenue bonds				\$ 114,300,000	\$ 63,960,000	\$ 46,180,000	\$ 1,360,000	\$ 8,030,000	\$ 100,750,000
Total all bonded indebtedness				\$ 296,475,000	\$ 176,845,000	\$ 105,565,000	\$ 7,520,000	\$ 46,160,000	\$ 228,730,000

Notes:

(A) Payable from general property tax, special assessments and other revenue.

(B) Payable from combined Water and Water Pollution Control Utility Fund or general p