

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, 2006 the City of Topeka will have accumulated a general obligation indebtedness of \$150.3 million. This level of debt requires principal and interest payments totaling \$17.3 million in 2007. Of the total general property tax levy assessed for 2007, 37.7 percent is to be used to retire general obligation debt. This is a slight reduction from the 39.3 percent in 2006.

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.

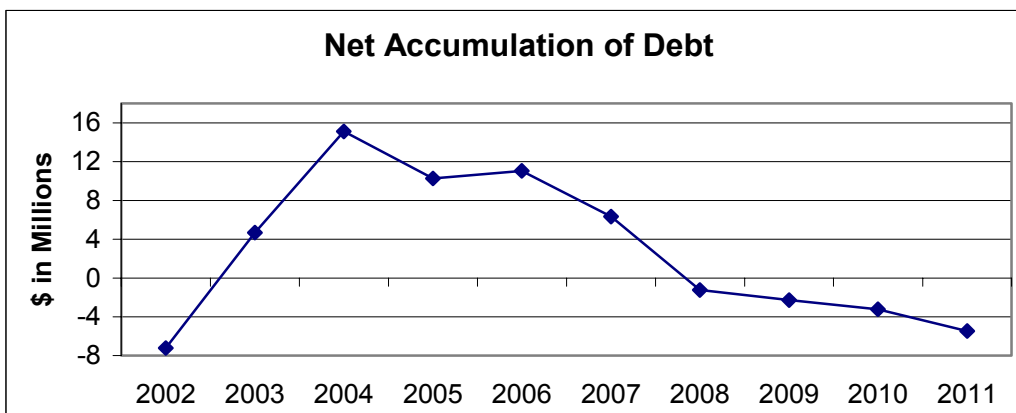
The trade-off of the 1999 restructure was a significant reduction in the amount of debt that could be issued over the next decade for new capital projects. The debt service model projections pegged the new general obligation debt "budget" at about \$5.0 million per year. However, that ceiling was abandoned 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 2007-2011 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 was financed in 2006. While the parking garage debt service is to be paid from parking revenue, the \$7.5 million in bonds will be general obligation. A \$10.4 million STAR bond was issued 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 backed by the full-faith and credit of the City. The City also issued \$5.8 million in Tax Increment Financing (TIF) bonds for the College Hill district. This will redevelop a blighted area near Washburn University by constructing housing and retail business. By staying with the current five-year CIP with the overall targets, 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 2002-2006 actual, 2007-2011 estimated

Year	Bonds Outstanding Jan 1	Issued	Retired	Bonds Outstanding Dec 31	Net Annual Accumulation
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	2 9,850,000	138,245,000	10,265,000
2006	138,245,000	21,135,000	3 10,095,000	149,285,000	11,040,000
2007	149,285,000	17,122,192	10,784,177	155,623,015	6,338,015
2008	155,623,015	10,156,933	11,400,871	154,379,077	(1,243,938)
2009	154,379,077	9,594,600	11,889,337	152,084,340	(2,294,737)
2010	152,084,340	9,071,090	12,297,781	148,857,649	(3,226,691)
2011	148,857,649	7,242,000	12,712,876	143,386,773	(5,470,876)

- notes: 1. includes **refunding** of existing debt to achieve future cost savings
 2. includes debt backed by Parking and/or Stormwater Utilities revenue
 3. does not include College Hill TIF or Heartland Park STAR bonds



Revenue Bonds and State Revolving Loan Fund Program

The City uses revenue bonds to finance major projects for the Water, Wastewater and Stormwater Combined Utility. In October 2006, the City issued refunding revenue bonds totaling \$55.0 million to refinance two revenue bonds, one issued in 1998 and the other in 2001. The refunding not only reduced the long term debt service demand on the Utility Fund, it more importantly reshaped the debt to provide for generally declining debt service, to allow layering of future debt using a basic level structure on individual transactions. The previous scenario had a considerable spike in 2012 and 2013. The 2006 year-end indebtedness from revenue bonds will be \$113.8 million. The City also participates in the State Revolving Fund (SRF) Loan Program as a method to finance utility projects. This is a low interest federal program administered by the Kansas Department of Health and Environment. SRF debt provides significantly better interest rates than the City can achieve in the debt market, and it is less expensive to issue than revenue bonds. The expected year-end outstanding SRF debt is \$92.6 million.

Topeka Boulevard Bridge. In 2006, the City of Topeka issued \$30.6 million in revenue bonds backed by the county-wide half-cent sales tax to partially finance the replacement of the Topeka Boulevard Bridge over the Kansas River. The sales tax revenue will be used to pay the annual debt service over the next 12 years. The total cost of the project is \$51.1 million and other financing sources include \$16.9 million of federal monies and another \$0.8 million from the half-cent sales tax. The bridge began showing signs of major deterioration in 2001, and the summer of 2006 witnessed the demolition of the old bridge. The project is expected to take two years.

Debt Management Information



Summer 2006...

Pictured to the left is a section of the Topeka Boulevard Bridge during the beginning stage of demolition.

Thousands of people witnessed the several blasts of the bridge on both sides of the Kansas River. Topekans remember the original construction and look forward to the upgraded bridge.

Statement of Bonded Indebtedness

As of December 31, 2005

General Obligation Debt—Limited

Park Improvements	\$	15,278,220
Public Building Improvements		44,431,299
Street Improvements		9,213,080
Trafficway Improvements		53,733,487
2004-A Pension Bonds		12,400,000
2005-A temporary notes for above purposes		23,483,538
	\$	<u>158,539,624</u>

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

Sanitary and Storm Sewer	\$2,568,914	
Flood Control & Drainage	620,000	
Water Distribution System Improvements	0	
2005-A temporary notes for above purposes	1,941,462	5,130,376
Total General Obligation Debt:		<u>\$163,670,000</u>

Total bonded debt \$138,245,000
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Statement of Legal Debt Margin

As of December 31, 2005

Assessed Valuation		<u>\$1,094,119,526</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		328,235,858
Less: Outstanding debt subject to debt limit		158,539,624
Plus: Amount available in Debt Service Fund		<u>2,812,438</u>
Margin of Legal Debt:		<u>\$172,508,672</u>

Debt Management Information

City of Topeka, Kansas
Schedule of Bonded Indebtedness by Category
December 31, 2005

Bond Series	Interest rates	Issue Date	Final maturity	Original Principal Amount	Principal Outstanding 01/01/2005	Issued	Retired	Refunded	Principal Outstanding 12/31/2005
General obligation bonds (A)									
Building Improvements									
2001A	4.05%-5.00%	03/01/01	08/15/21	6,240,000	6,240,000	-	-	-	6,240,000
2001B	4.00%-5.10%	08/01/01	08/01/21	7,595,000	6,400,000	-	400,000	-	6,000,000
2003A	1.80%-4.125%	03/01/03	08/15/17	523,019	489,519	-	37,000	-	452,519
2003B	2.375%-5.00%	08/14/03	08/15/18	7,090,315	6,940,326	-	31,389	-	6,908,937
2003C	2.70%-5.50%	11/24/03	08/15/23	4,331,205	4,244,388	-	163,988	-	4,080,400
2004B	3.10%-4.25%	10/07/04	08/15/20	9,388,630	9,388,630	-	585,150	-	8,803,480
2004C	3.10%-5.00%	11/23/04	08/15/24	118,531	118,531	-	5,517	-	113,014
2005A	3.30%-5.50%	02/17/05	08/15/25	5,635,000	-	5,635,000	-	-	5,635,000
2005B	3.50%-5.00%	11/29/05	08/15/25	1,127,949	-	1,127,949	-	-	1,127,949
2005C	4.88%-5.50%	11/29/05	08/15/15	5,070,000	-	5,070,000	-	-	5,070,000
				47,119,649	33,821,394	11,832,949	1,223,044	-	44,431,299
Drainage Improvements									
2001B	4.00%-5.10%	08/01/01	08/01/21	900,000	690,000	-	70,000	-	620,000
				900,000	690,000	-	70,000	-	620,000
Sanitary and Storm Sewer									
2001B	4.00%-5.10%	08/01/01	08/01/21	850,000	670,000	-	70,000	-	600,000
2003A	1.80%-4.125%	03/01/03	08/15/17	161,037	149,870	-	12,333	-	137,537
2003B	2.375%-5.00%	08/14/03	08/15/18	1,502,500	1,330,953	-	424,454	-	906,499
2003C	2.70%-5.50%	11/24/03	08/15/23	68,895	67,515	-	2,609	-	64,906
2004B	3.10%-4.25%	10/07/04	08/15/20	357,180	357,180	-	178,590	-	178,590
2004C	3.10%-5.00%	11/23/04	08/15/24	216,295	216,295	-	10,067	-	206,228
2005B	3.50%-5.00%	11/29/05	08/15/25	475,154	-	475,154	-	-	475,154
				3,631,061	2,791,813	475,154	698,053	-	2,568,914
Street Improvements									
2001B	4.00%-5.10%	08/01/01	08/01/21	1,981,500	1,585,000	-	160,000	-	1,425,000
2003A	1.80%-4.125%	03/01/03	08/15/17	1,167,529	1,061,446	-	117,167	-	944,279
2003B	2.375%-5.00%	08/14/03	08/15/18	793,050	439,067	-	88,428	-	350,639
2003C	2.70%-5.50%	11/24/03	08/15/23	890,554	872,703	-	33,718	-	838,985
2004B	3.10%-4.25%	10/07/04	08/15/20	2,264,270	2,264,270	-	609,040	-	1,655,230
2004C	3.10%-5.00%	11/23/04	08/15/24	560,307	560,307	-	26,079	-	534,228
2005B	3.50%-5.00%	11/29/05	08/15/25	3,464,719	-	3,464,719	-	-	3,464,719
				11,121,929	6,782,793	3,464,719	1,034,432	-	9,213,080
Trafficway Improvements									
2001B	4.00%-5.10%	08/01/01	08/01/21	16,428,500	10,460,000	-	530,000	-	9,930,000
2003A	1.80%-4.125%	03/01/03	08/15/17	3,598,403	3,464,403	-	148,000	-	3,316,403
2003B	2.375%-5.00%	08/14/03	08/15/18	14,633,860	14,524,715	-	1,956,473	-	12,568,242
2003C	2.70%-5.50%	11/24/03	08/15/23	4,820,346	4,723,724	-	182,507	-	4,541,217
2004B	3.10%-4.25%	10/07/04	08/15/20	21,002,980	21,002,980	-	1,324,280	-	19,678,700
2004C	3.10%-5.00%	11/23/04	08/15/24	1,546,660	1,546,660	-	71,990	-	1,474,670
2005B	3.50%-5.00%	11/29/05	08/15/25	2,224,255	-	2,224,255	-	-	2,224,255
				64,255,004	55,722,482	2,224,255	4,213,250	-	53,733,487

Debt Management Information

City of Topeka, Kansas
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December 31, 2005

Bond Series	Interest rates	Issue Date	Final maturity	Original Principal Amount	Principal Outstanding 01/01/2005	Issued	Retired	Refunded	Principal Outstanding 12/31/2005
Park Improvements									
2001B	4.00%-5.10%	08/01/01	08/01/21	1,910,000	1,635,000	-	115,000	-	1,520,000
2003A	1.80%-4.125%	03/01/03	08/15/17	755,012	704,762	-	55,500	-	649,262
2003B	2.375%-5.00%	08/14/03	08/15/18	842,161	809,939	-	804,257	-	5,682
2003C	2.70%-5.50%	11/24/03	08/15/23	1,114,000	1,091,670	-	42,178	-	1,049,492
2004B	3.10%-4.25%	10/07/04	08/15/20	6,111,940	6,111,940	-	402,940	-	5,709,000
2004C	3.10%-5.00%	11/23/04	08/15/24	4,433,207	4,433,207	-	206,346	-	4,226,861
2005B	3.50%-5.00%	11/29/05	08/15/25	2,117,923	-	2,117,923	-	-	2,117,923
				<u>17,284,243</u>	<u>14,786,518</u>	<u>2,117,923</u>	<u>1,626,221</u>	<u>-</u>	<u>15,278,220</u>
Taxable Pension Obligation									
2004A	4.00%-5.00%	08/12/04	08/15/15	13,385,000	13,385,000	-	985,000	-	12,400,000
				<u>13,385,000</u>	<u>13,385,000</u>	<u>-</u>	<u>985,000</u>	<u>-</u>	<u>12,400,000</u>
Total all general obligation bonds (A)				\$ 157,696,886	\$ 127,980,000	\$ 20,115,000	\$ 9,850,000	\$ -	\$ 138,245,000
Revenue Bonds (B):									
1998B	4.80%-5.10%	06/01/98	08/01/28	31,440,000	31,440,000	-	-	-	31,440,000
2001A	5.30%-6.00%	12/01/01	08/01/19	25,365,000	24,035,000	-	465,000	-	23,570,000
2004A	2.00%-6.00%	02/19/04	08/01/33	46,180,000	45,275,000	-	925,000	-	44,350,000
2005A	4.00%-7.50%	12/09/05	08/01/35	14,875,000	-	14,875,000	-	-	14,875,000
Total all revenue bonds				\$ 117,860,000	\$ 100,750,000	\$ 14,875,000	\$ 1,390,000	\$ -	\$ 114,235,000
Total all bonded indebtedness				\$ 275,556,886	\$ 228,730,000	\$ 34,990,000	\$ 11,240,000	\$ -	\$ 252,480,000

Notes:

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

(B) Payable from combined Water, Water Pollution Control, and Stormwater Utility Fund revenues or general property tax.