

DEBT MANAGEMENT

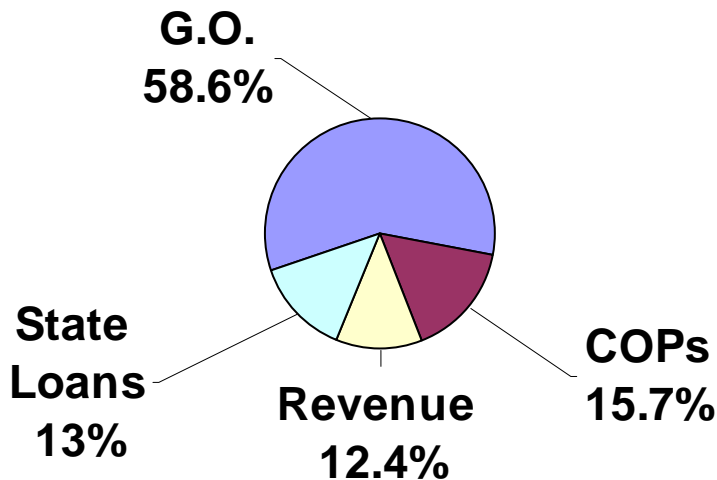
The City manages its long term financing needs through periodic issuance of General Obligation Bonds. Debt service expenditures include principal and interest payments on the City's outstanding bonded debt. These payments are budgeted in the funds that incur the debt: for example, water and sewer debt service is paid from the Water and Sewer Fund. In addition to General Obligation bonds, the City issues revenue bonds and enters into installment sales/lease obligations as allowed under state statutes.

Ratings: Bond ratings are measures of the City's credit worthiness. The rating agencies analyze the City's economic condition, debt management, administrative leadership and fiscal planning and management to determine the quality of the City's credit. The City has a "triple A" rating from all three rating agencies (Standard and Poor's, Fitch IBCA and Moody's Investor Service). This represents the highest possible rating for municipal debt, indicating that the City has outstanding credit worthiness. The City's high bond ratings have allowed it to broaden the market for its bonds and to lower the interest costs for borrowing.

Summary of Outstanding Debt Issues

	Fiscal Year 2004-05 Obligations			Future Obligations		
	Principal	Interest	Total	Principal	Interest	Total
General Obligation Bonds	\$15,775,000	\$9,852,755	\$25,627,755	\$183,525,000	\$63,039,733	\$246,564,733
Certificates of Participation	6,680,000	2,786,812	9,466,812	49,960,000	17,896,500	67,856,500
Revenue Bonds	2,175,000	2,223,728	4,398,728	42,060,000	17,479,365	59,539,365
State Loans	885,000	347,241	1,232,241	9,045,000	1,841,545	10,886,545
Total Debt Service:	\$25,515,000	\$15,210,536	\$40,725,536	\$284,590,000	\$100,257,143	\$384,847,143

Outstanding Debt by Type of Issue FY 2004-05



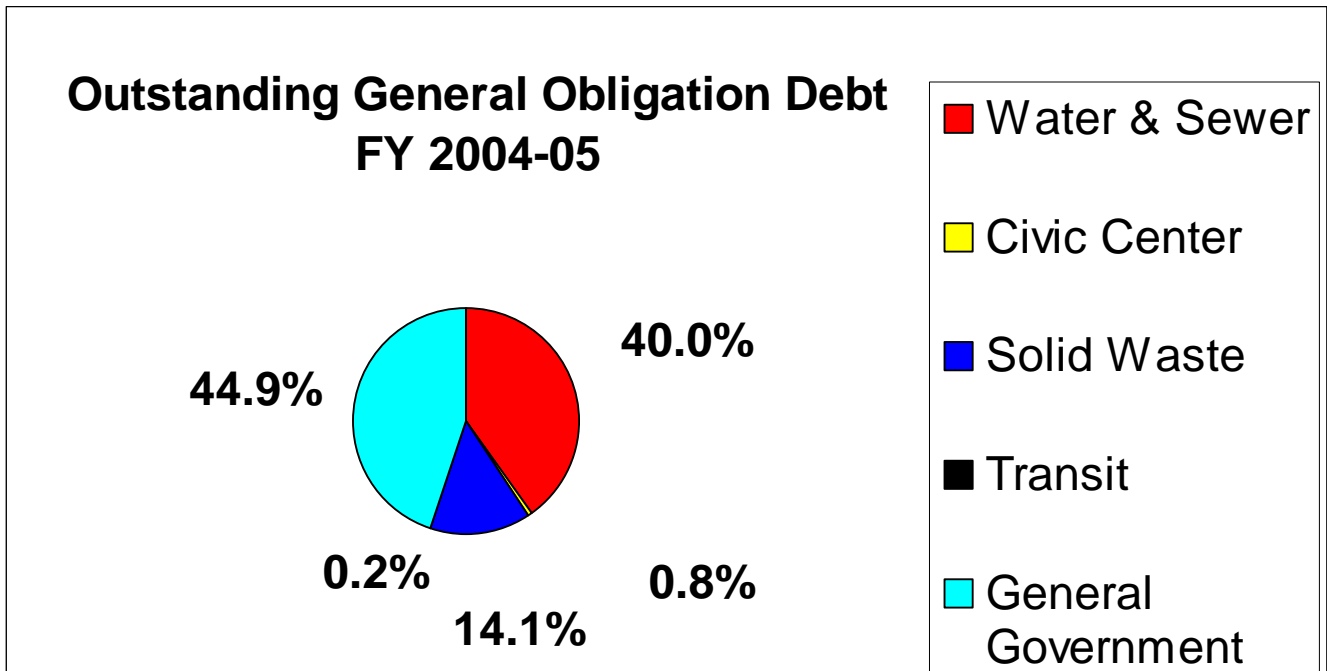
Legal Debt Limit:

The City is subject to the Local Government Bond Act. The Act limits the net bonded debt that the City may have outstanding to eight percent of the appraised value of property subject to taxation. As of January 1st, 2004 the statutory limit for General Obligation debt for the City was \$1,181,910,319. With \$228,571,993 of outstanding General Obligation debt projected for June 30th, 2004, the City's remaining debt capacity will be approximately \$953,338,326.

Outstanding General Obligation Debt

Fiscal Year 2004-05 Obligations

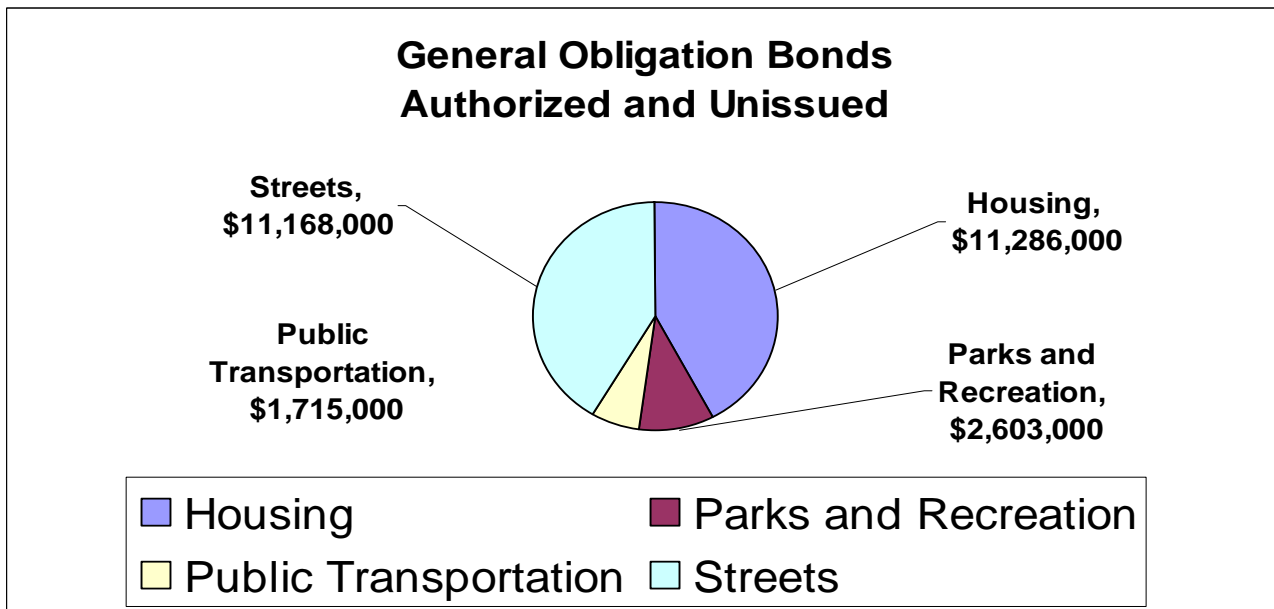
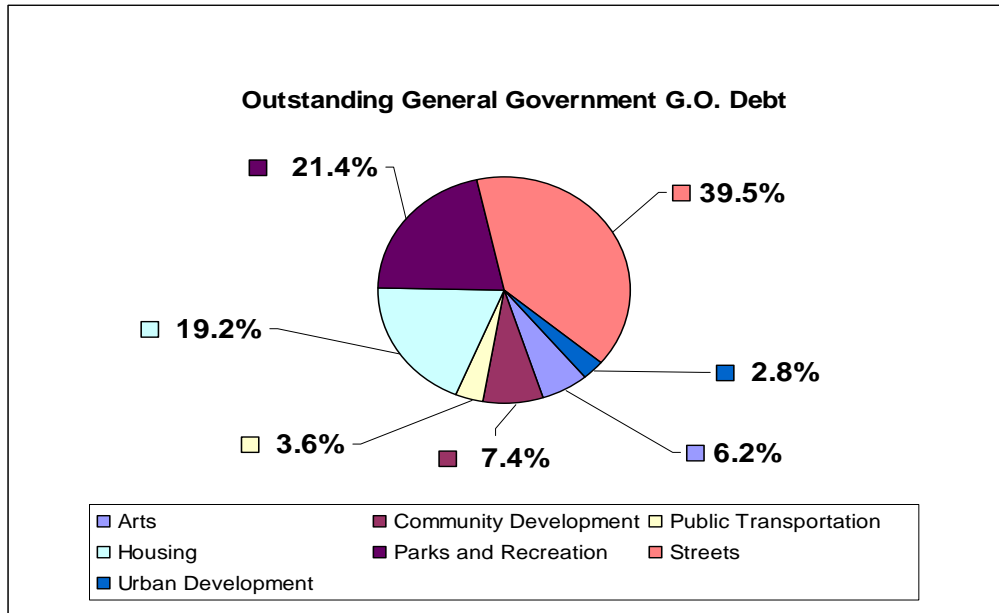
Water & Sewer	\$79,695,157
Civic Center	1,654,229
Solid Waste	28,132,217
Transit	363,919
General Government	<u>89,454,478</u>
Total	\$199,300,000



Outstanding General Government General Obligation Debt

Fiscal Year 2004-05 Obligations

Arts	\$5,551,664
Community Development	6,585,707
Housing	17,194,227
Parks and Recreation	19,158,180
Public Transportation	3,183,693
Streets	35,302,279
Urban Development	<u>2,478,728</u>
Total	\$89,454,478



Annual Principal and Interest Requirements FY 2004-05

<u>Issue</u>		<u>Outstanding</u>	<u>Principal</u>	<u>Interest</u>
DURHAM-1993-B	Public Improvement	\$9,025,000	\$2,050,000	\$458,525
DURHAM-1993-C	Variable Public Improvement	15,365,000		798,980
DURHAM-1993-CPA	COPs Variable Risk	4,000,000	1,000,000	182,000
DURHAM-1994-B	Variable W&S Revenue Bonds	10,500,000		630,000
DURHAM-1994-C	State Loan	7,500,000	750,000	277,500
DURHAM-1994-W&S	W&S Utility System Revenue	675,000	675,000	19,913
DURHAM-1995-CPA	800 MHz Radio System	3,280,000	1,685,000	175,840
DURHAM-1996-A	Public Improvement	12,915,000	385,000	641,498
DURHAM-1996-B	Variable G.O. Housing Bonds	3,160,000	665,000	205,400
DURHAM-1996-CPA	COP Building aquisition costs	1,885,000	230,000	91,235
DURHAM-1996-CPB	COP Lease Purchase refunding	3,520,000	370,000	171,943
DURHAM-1997-A	Public Improvement	4,915,000	325,000	256,423
DURHAM-1997-CAB	COP Series 97 A, 97 B Fire Equip	5,045,000	285,000	263,096
DURHAM-1998-A	General Obligation	12,850,000	950,000	599,200
DURHAM-1998-CPA	Refunding COPs	7,005,000	665,000	285,142
DURHAM-1998-W&S	Water & Sewer Utility System	13,220,000	690,000	639,013
DURHAM-1999-A	General Obligation	24,255,000	1,000,000	1,129,650
DURHAM-2000-A	Public Improvement	12,185,000	750,000	660,925
DURHAM-2000-B	Public Improvement	14,510,000	800,000	728,500
DURHAM-2000-C	Variable Housing Bonds	7,250,000	250,000	543,750
DURHAM-2001-A	Revenue Water and Sewer	19,840,000	810,000	934,803
DURHAM-2001-B	State Loan	2,430,000	135,000	69,741
DURHAM-2001-CPA	COPs Facilities, Vehicles, Refunding	18,445,000	1,740,000	887,110
DURHAM-2002-A	Public Improvement	23,910,000	1,000,000	1,064,250
DURHAM-2003	Refunding	39,420,000	6,535,000	2,036,380
DURHAM-CPA	American Tobacco	13,460,000	705,000	730,416
DURHAM-2004	Refunding	19,540,000	1,065,000	729,307
	Total	\$310,105,000	\$25,515,000	\$15,210,536