

DEBT MANAGEMENT

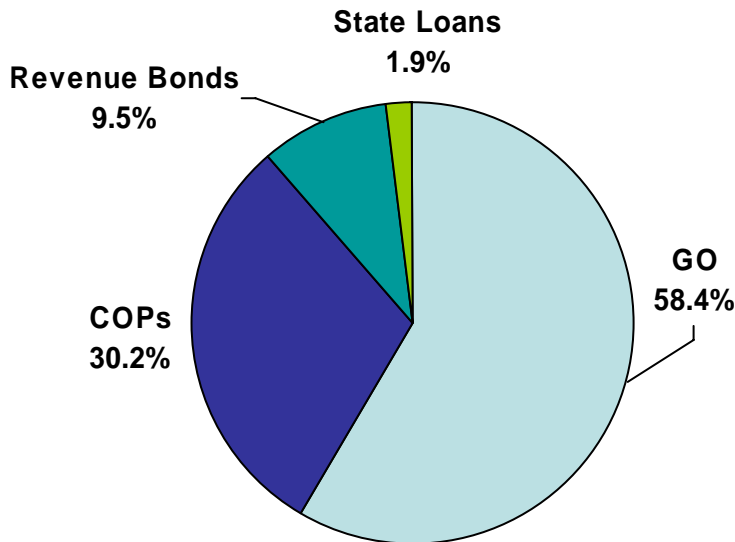
The City manages its long term financing needs through periodic issuance of General Obligation Bonds. Debt service expenditures include principal and interest payments on the City's outstanding bonded debt. These payments are budgeted in the funds that incur the debt: for example, water and sewer debt 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 2007-08 Obligations			Future Obligations		
	Principal	Interest	Total	Principal	Interest	Total
General Obligation Bonds	\$18,230,000	\$9,980,977	\$28,210,977	\$209,430,000	\$70,855,035	\$280,285,035
Certificates of Participation	11,895,000	5,620,730	17,515,7230	105,845,000	50,785,008	156,630,008
Revenue Bonds	2,490,000	1,880,630	4,370,630	34,535,000	11,397,586	45,932,586
Other Obligations	885,000	252,368	1,137,368	6,390,000	989,573	7,379,573
Total Debt Service:	\$33,500,000	\$17,734,705	\$51,234,705	\$356,200,000	\$134,027,202	\$490,227,202

**Outstanding Debt by Type of Issue
FY2007-08**



Legal Debt Limit:

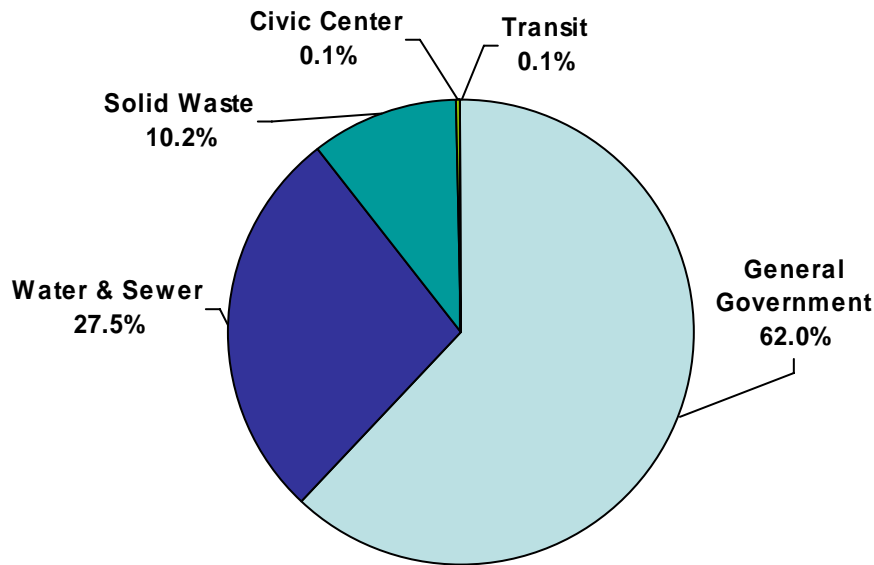
The City is subject to the Local Government Bond Act. The Act limits the net bonded debt that the City may have outstanding to eight percent of the appraised value of property subject to taxation. As of January 1st, 2006 the statutory limit for General Obligation debt for the City was \$1,226,473,739 providing a debt margin of approximately \$878,485,264.

Outstanding General Obligation Debt

General Obligations

General Government	\$141,164,942
Water & Sewer	62,706,733
Solid Waste	23,312,244
Civic Center	269,497
Transit	206,584
Total	\$227,660,000

**Outstanding General Obligation Debt
FY 2007-08**

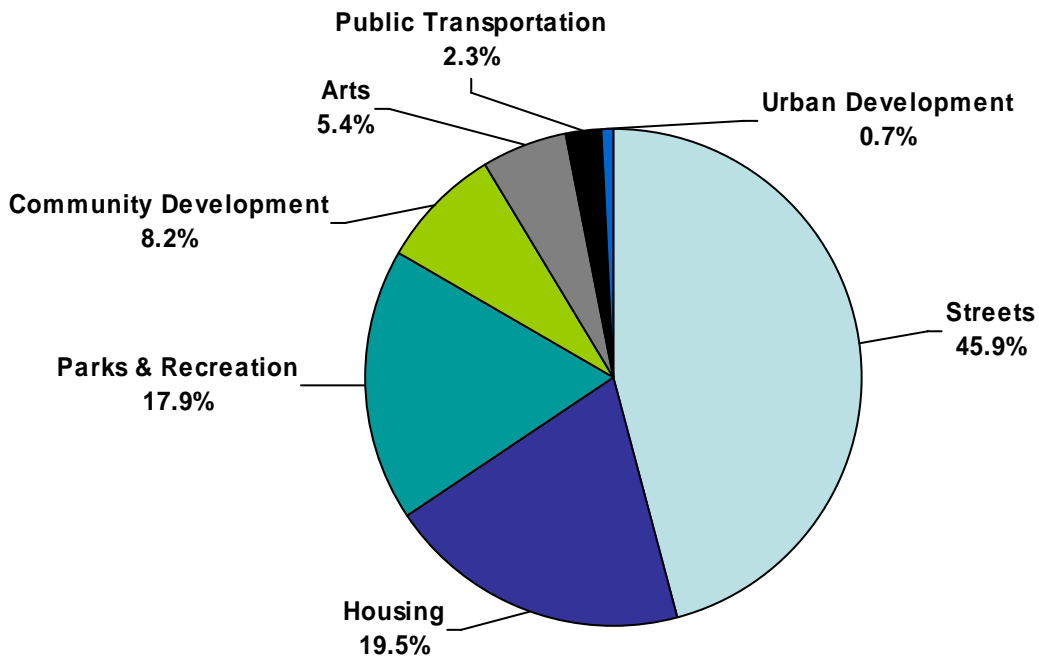


Outstanding General Government General Obligation Debt

General Government

Streets	\$55,639,135
Housing	23,652,860
Parks and Recreation	21,691,542
Community Development	9,901,088
Arts	6,593,776
Public Transportation	2,784,235
Urban Development	902,306
Total	\$121,164,942

**Outstanding General Government G.O. Debt
FY 2007-08**

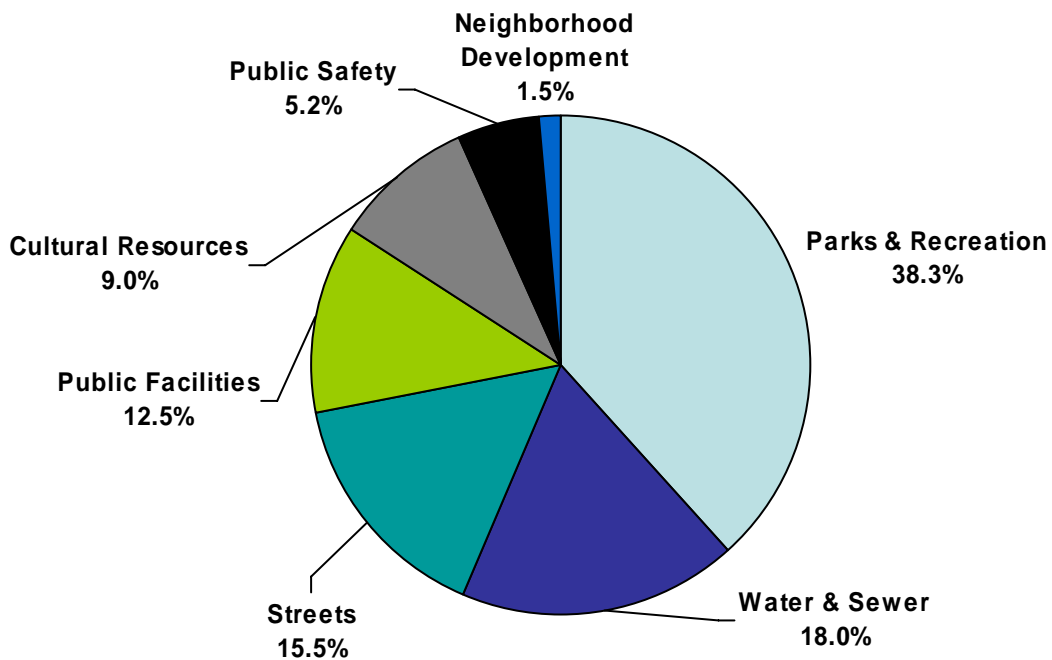


Outstanding General Government General Obligation Debt

Authorized and Un-issued General Obligation Debt 2005 Bond Authority

Park and Recreation	\$ 38,333,000
Water and Sewer	18,000,000
Streets	15,509,000
Public Facilities	12,455,000
Cultural Resources	9,005,000
Public Safety	5,195,000
Neighborhood Development	1,500,000
Total	\$ 99,997,000

General Obligation Bonds Authorized and Un-issued as of 06/30/2007

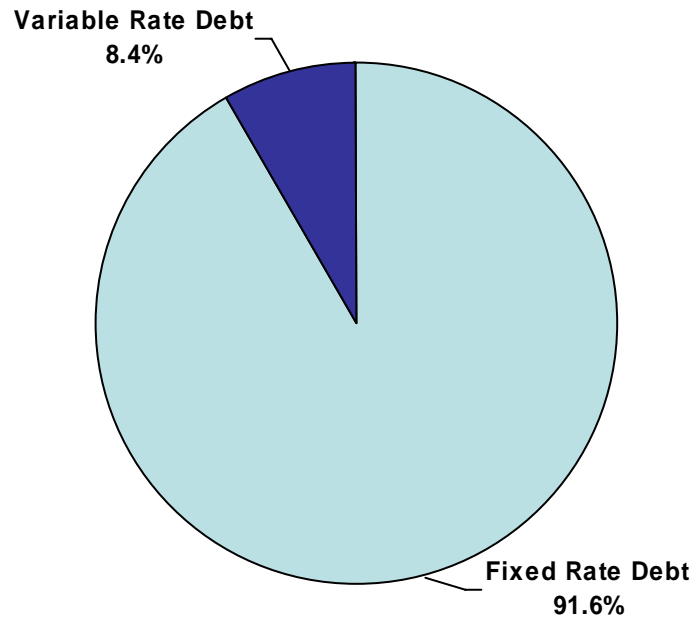


Outstanding General Government General Obligation Debt

Outstanding Debt

Fixed Rate Debt	\$357,020,000
<u>Variable Rate Debt</u>	<u>\$32,680,000</u>
Total	\$389,700,000

Outstanding Fixed and Variable Rate Debt as of June 30th, 2007



Annual Principal and Interest Requirements FY 2007-08

<u>Issue</u>	<u>Debt Purpose</u>	<u>Outstanding 06/30/07</u>	<u>Principal</u>	<u>Interest</u>
DURHAM-1993-B	Public Improvement	\$2,475,000	\$2,475,000	\$128,700
DURHAM-1993-C	Variable Public Improvement	15,365,000	-	798,980
DURHAM-1993-CPA	COPs Variable Risk	1,000,000	1,000,000	26,000
DURHAM-1994-B	Variable W&S Revenue Bonds	9,100,000	800,000	546,000
DURHAM-1994-C	State Loan	5,250,000	750,000	194,250
DURHAM-1996-B	Variable G.O. Housing Bonds	715,000	715,000	46,475
DURHAM-1996-CPA	COP Building aquisition costs	1,160,000	270,000	60,900
DURHAM-1996-CPB	COP Lease Purchase refunding	2,355,000	425,000	123,212
DURHAM-1998-A	General Obligation	10,000,000	950,000	468,100
DURHAM-1998-CPA	Refunding COPs	4,935,000	740,000	215,995
DURHAM-1998-W&S	Water & Sewer Utility System	2,470,000	785,000	115,305
DURHAM-1999-A	General Obligation	21,255,000	1,000,000	1,002,150
DURHAM-2000-A	Public Improvement	2,625,000	875,000	141,750
DURHAM-2000-B	Public Improvement	12,110,000	800,000	608,500
DURHAM-2000-C	Variable Housing Bonds	6,500,000	250,000	487,500
DURHAM-2001-A	Revenue Water and Sewer	7,225,000	905,000	329,762
DURHAM-2001-B	State Loan	2,025,000	135,000	58,118
DURHAM-2001-CPA	COPs Facilities, Vehicles, Refunding	13,130,000	1,840,000	645,720
DURHAM-2002-A	Public Improvement	20,910,000	1,000,000	944,250
DURHAM-2003	G.O. Refunding	21,665,000	5,340,000	1,003,093
DURHAM-CPA	American Tobacco	11,340,000	710,000	665,723
DURHAM-2004A	G.O. Refunding	16,335,000	1,030,000	609,106
DURHAM-2004B	Two-thirds Bonds	9,000,000	500,000	405,500
DURHAM-2005-CPA	Multi-Purpose	29,320,000	2,805,000	1,394,050
DURHAM-2005-A	Two-thirds Bonds	9,700,000	300,000	385,500
DURHAM-2005-B	G.O. Bonds Taxable	5,050,000	550,000	230,250
DURHAM-2005-C	G.O. Bonds	9,150,000	250,000	360,875
Durham-2005-D	G.O. Refunding Bonds	23,030,000	1,220,000	1,044,250
Durham-2005-W&S	Revenue Refunding	18,230,000	-	913,562
Durham-2006-A	G.O. Bonds	21,775,000	975,000	958,430
Durham-2006-CPA	DPAC	33,800,000	485,000	1,890,441
Durham-2006-CPB	Fleet Lease	10,700,000	1,620,000	423,925
Durham-2007-CPA	Fleet Lease	10,000,000	2,000,000	208,333
Durham-2007-A	G.O. Bonds	<u>20,000,000</u>	<u>-</u>	<u>300,000</u>
Total		\$389,700,000	\$33,500,000	\$17,734,705