Council Meeting Date: **July 27, 2009** | Agenda Item: **9(a)**

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Ordinance No. 556, providing for the issuance, specifying the maturities, interest rates, terms and covenants of $22,365,000 par value Limited Tax General Obligation Bonds
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

On July 29, 2009, the City Council will be taking action to accept a bid for $22,365,000 of limited tax general obligation bonds for the purpose of pre-paying the lease to carry out the acquisition of the new City Hall and related parking structure. Tonight provides an opportunity to review Ordinance No. 556 which is the "bond ordinance" to authorize the City to sell the bonds and incur the related debt. Council will notice that the Ordinance No. 556 is still in draft form.

As discussed by the City Council at the Council Dinner Meeting on July 13, 2009, the City has selected Piper Jaffray & Co. as the underwriter to sell the bonds and if necessary purchase any unsold bonds. Piper Jaffray was selected through a Request for Proposal (RFP) process. The underwriter will make their offer to purchase the bonds on July 29, 2009. Since the offer will not occur until the morning of July 29th, Council will notice that both the Preliminary Official Statement (Attachment B) and Ordinance No. 556 do not list some of the information such as the name of the purchaser of the bonds, the interest rates, or the annual interest payments. This information will be finalized on the morning of July 29, 2009, and then incorporated into Ordinance No. 556, by Hugh Spitzer, the City's bond counsel. The finalized ordinance will be available at the Special Council Meeting scheduled for July 29, 2009, at 2 p.m., room 305 of City Hall.

On July 10, 2009, the City received a AA+ rating for this bond issuance from Standard & Poor's. Standard & Poor's also said that the City's current financial situation was stable and confirmed a "strong" rating under the Standard & Poor's Financial Management Assessment (FMA). A copy of the rating report is included as Attachment C.

FINANCIAL IMPACT:

The current estimated annual debt service costs on the bonds is $1.4 million. This assumes an average interest rate of 5% on 30 year bonds. The City Council has authorized a combination of general fund monies that have been used to pay rent on the Annex and City Hall ($630,000 annually) and up to $775,000 of Real Estate Excise Taxes (REET) to make the annual debt service payments on the bonds. In future years lease revenue from the leased space on the third floor of City Hall will also provide a revenue source for repayment of the bonds. The City is not seeking additional taxing authority to make the debt service payments.

RECOMMENDATION

The City Council does not need to take action on Ordinance No. 556 this evening. The City's Financial Advisor, Steve Gaidos, the City's Bond Counsel, Hugh Spitzer, and the lead representative from Piper Jaffray, Jane Towery, will be present this evening to answer questions from the City Council.

Approved By: City Manager ____ City Attorney ____

Attachments: Attachment A – Draft Ordinance No. 556
Attachment B – Preliminary Official Statement
Attachment C – Standard & Poor's Rating Report

DISCUSSION

Funding of City Hall

Council has authorized the use of cash, debt, and grants to pay for the new city hall and parking garage. Basically the funding of City Hall is as follows:

Sources	
Principal Amount of Bonds	$22,365,000
City Cash Contribution	10,828,000
Grant Proceeds	597,000
	$33,790,000

The City needs to have net bond proceeds of $22,175,000 to meet our obligation for City Hall. This includes anticipated costs for the clean-up of contaminated soils and demolition of the Annex. The actual costs of these items will not be known until later this year, but we must account for them at the time of the bond sale. The difference between the net proceeds of $22.175 million and the $22.365 million reflected in the table above represent the costs related to issuing the bonds. Bond issuance costs include bond counsel, financial advisor, underwriter costs, and other related costs.

The City Council has authorized a combination of general fund monies, previously used to pay rent on the Annex and City Hall ($630,000 annually), and up to $775,000 of Real Estate Excise Taxes to make the annual debt service payments on the bonds. The bonds will have a 30 year life. Assuming an overall interest cost of 5%, the annual debt service payments would be approximately $1.4 million. In future years lease revenue from the leased space on the third floor of City Hall will also provide a revenue source for repayment of the bonds. Currently we estimate that the interest rate on the bonds will be less than 5%, but this will be dictated by the market at the time that the bonds are sold.

Although the bonds will be sold on July 29, 2009, the City will not receive the proceeds until the bond settlement date which we currently estimate to be August 11, 2009. The pre-payment is called the “Lease Transfer Amount” and currently we estimate the lease transfer amount for City Hall to be $25,539,000. The $22.1 million of bond proceeds plus $3,364,000 of cash will be used to make the lease transfer payment.

Method of Bond Sale and Types of Bonds

In 2006 the City did a competitive bond sale to sell the Park bonds. In a competitive sale the City solicited bids from underwriting firms to purchase the bonds and then sold the bonds to the underwriter offering the lowest interest cost bid.

For the City Hall bonds we will be doing a negotiated bond sale. In a negotiated sale an underwriting firm is selected prior to the issuance of the bonds through a Request For Proposal (RFP) process. The City received five proposals and selected Piper Jaffray. Criteria that was used in making the selection included: recent experience, underwriting spreads, experience with Build America Bonds (BABs), proposed marketing strategies, capital backing, individuals assigned to perform the underwriting services, and any special requirements or restrictions that were proposed.

One advantage of doing a negotiated sale is that the underwriter will be able to engage in extensive pre-sale marketing to assess the demand for and to promote the City's bonds. This can help develop a deal that meets both the needs of those willing to purchase the City's bonds and make the bond structure cost-effective for the City. This may be very helpful as the City is asking underwriters to consider both Tax-Exempt General Obligation Bonds and Build America Bonds.

General Obligation Bonds (GO) are a traditional type of debt issued by governments. These bonds are issued at tax-exempt rates, which are lower rates than taxable bonds.

Build America Bonds (BABs) are a new debt instrument that was provided by the Federal Government as part of the American Recovery and Reinvestment Act. BABs are taxable bonds, therefore they have a higher interest rate. To make them attractive to municipal issuers the Federal Government provides a subsidy equal to 35% of the interest costs to the issuer, in this case the City of Shoreline. These bonds are called direct pay BABs. When the overall interest rate for BABs is calculated the 35% subsidy off-sets the higher taxable interest rates to determine the true interest cost to the City. It appears under current market conditions, which could change up to the date of the bond sale, that the longer term bonds will actually have a lower interest rate using BABs than the traditional tax-exempt bonds.

The Preliminary Official Statement (POS), Attachment B, reflects that bonds maturing in years 2010 through 2014 will be tax-exempt bonds and bonds maturing in 2015 through 2039 will be BABs (taxable bonds). The tax-exempt bonds are referred to as "Series A" and the BABs are referred to as "Series B". Based on current market conditions it appears that this combination of tax-exempt bonds and BABs results in debt service savings of $4.5 million, or approximately 11%, as compared to a purely tax-exempt bond issue. The market can be very volatile, so any actual savings will be subject to the interest rates on the day of the bond sale, but the possibility of savings appears very probable at this time.

Although most experts believe that it is unlikely that the Federal Government would make any change in their promise to provide the 35% rebate on BABs there is some underlying concern that a slight possibility exists, especially over a 30 year period. For this reason the City has included an "extraordinary call" provision in the POS. The extraordinary call provides an opportunity for the City to basically refinance the BABs at any time if there is a change in the rebate provisions of BABs that negatively affects the City. The City would refinance by calling the outstanding BABs, issuing tax-exempt bonds, and then using the tax-exempt bond proceeds to pay the called BABs. The City would only do this if there were savings to be realized by the bond call. Since the taxable bond market is not used to having call features, the City will pay a slight interest rate penalty, currently estimated at 0.10% or 10 basis points. This basically results in reducing overall expected savings by $500,000 over the life of the bonds when compared to not including an extraordinary call provision.

<u>Bond Rating</u>

The City currently has a AA+ "voted" General Obligation bond rating from Standard & Poor's (S&P). Since the City Hall bonds are "councilmanic", meaning that they are approved by the Council and not by voters, the City must apply for a bond rating for non-voted bonds. This rating will be a "limited tax general obligation bond rating." The reason that the bonds are considered "limited tax bonds" is that we will be repaying the bonds from existing revenue sources as opposed to tax payers paying additional property taxes to make the bond debt service payments. It is very common for limited tax bond ratings to be at least on level lower than voted bond ratings.

On July 10, 2009, S&P provided the City with a AA+ limited tax general obligation bond rating. The S&P report is Attachment C. There is only one grade, AAA, higher than the AA+. The AA+ rating should make the City's bonds very marketable because they will be considered a safe investment, in that the City will make the debt service payments. This safety will be reflected in a lower interest rate than lower rated bonds. This is especially important in the current financial markets since bond insurers have been severely downgraded over the last year. It was very common for municipalities to purchase bond insurance that made their bonds the equivalent to "AAA" because this resulted in interest savings that exceeded the cost of insurance. Since many of the bond insurers can no longer provide these rating enhancements it is important for the City to have a strong underlying rating that does not require insurance. All of the underwriters that provided responses to the City's RFP were consistent in believing that the City would not need to purchase insurance to enhance its AA+ rating.

Bond Issuance Timeline

The following is a timeline for the issuance of the City Hall bonds:

July 27, 2009	Study Session with first review of bond ordinance with the City Council
July 29, 2009	Bond Sale
	Special City Council Meeting to Approve Bond Sale at 2 p.m.
	Adoption of Ordinance No. 556
Aug. 11, 2009	Bond Closing
Aug. 11 or 12th	Pre-payment of City Hall lease to Opus
December 2009	Close-out of the remainder of the project with Opus

Repayment of Bonds

The current estimated annual debt service costs on the bonds is $1.4 million. This assumes an average interest rate of 5% on 30 year bonds. The City Council has authorized a combination of general fund monies that have been used to pay rent on the Annex and City Hall ($630,000 annually) and up to $775,000 of Real Estate Excise Taxes (REET) to make the annual debt service payments on the bonds. In future years lease revenue from the leased space on the third floor of City Hall will also provide a revenue source for repayment of the bonds. The City is not seeking additional taxing authority to make the debt service payments.

RECOMMENDATION

The City Council does not need to take action on Ordinance No. 556 this evening. The City's Financial Advisor, Steve Gaidos, the City's Bond Counsel, Hugh Spitzer, and the lead representative from Piper Jaffray, Jane Towery, will be present this evening to answer questions from the City Council.

Attachment A

DRAFT DATED JULY 17, 2009

CITY OF SHORELINE, WASHINGTON

ORDINANCE NO. 556

AN ORDINANCE of the City of Shoreline, Washington, relating to contracting indebtedness; providing for the issuance of $______________ par value of Limited Tax General Obligation Bonds, Series 2009A, and $__________ par value Limited Tax General Obligation Bonds, Series 2009B (Taxable Build America Bonds - Direct Pay), of the City for general City purposes to provide funds with which to pay the cost of pre-paying a lease to carry out the acquisition of a new City Hall; fixing the date, form, maturities interest rates, terms and covenants of the bonds; establishing a bond redemption fund and a lease transfer fund; and approving the sale and providing for the delivery of the bonds to Piper Jaffray & Co. of Seattle, Washington.

Passed July 29, 2009

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WHEREAS, the City of Shoreline, Washington (the "City"), is in need of obtaining a new City Hall facility and related parking structure; and

WHEREAS, following a competitive process, pursuant to Chapter 35.42 RCW the City selected Opus Northwest, L.L.C. (the "Developer"), to construct a City Hall facility and a related parking structure, all at the cost and expense of the Developer, and then to lease those facilities to the City with an option to purchase; and

WHEREAS, the City and the Developer executed a "City of Shoreline Civic Center Development Agreement" dated as of March 26, 2008, which agreement has been amended since that date (the agreement together with its amendments, are referred to below as the "Development Agreement"); and

WHEREAS, the Development Agreement provided that upon substantial completion of the City Hall and the parking facilities, respectively, the City would be required to lease each of those facilities and, under certain circumstances, to provide for the transfer of the Developer's interest in the lease to a third party in exchange for a "lease transfer amount"; and

WHEREAS, the Developer has or soon will have substantially completed the City Hall and is prepared to lease that building to the City; and

WHEREAS, the City earlier contemplated the transfer of the City Hall lease and/or the parking facility lease from the Developer to a trustee and the simultaneous issuance of "certificates of participation" in the lease or leases, but, due to current bond market conditions and attractive interest rates, the City has now determined to issue limited tax general obligation bonds with which to prepay the City Hall lease and to use cash on hand to prepay the garage lease; and

WHEREAS, the estimated cost of prepaying the City Hall lease is approximately $25,539,000, and the City does not have available sufficient funds to pay the cost from amounts on hand; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words shall have the following meanings:

"Bond Fund" means the Limited Tax General Obligation Bond Fund, 2009, created by this ordinance for the payment of the Bonds.

"Bond Register" means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of each Bond and the principal amount and number of Bonds held by each owner.

"Bond Registrar" means the Fiscal Agent.

"Bonds" means, collectively, the Series 2009A Bonds and the Series 2009B Bonds.

"City" means the City of Shoreline, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the state of Washington.

"Code" means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

"DTC" means The Depository Trust Company, New York, New York.

"Finance Director" means the Finance Director of the City.

"Fiscal Agent" means the fiscal agent of the State of Washington, as the same may be designated by the State from time to time.

"Lease Transfer Fund" means the City Hall Lease Transfer Fund, 2009, created by this ordinance.

"Letter of Representations" means the Blanket Issuer Letter of Representations dated November 29, 2006, between the City and DTC, as it may be amended from time to time.

"MSRB" means the Municipal Securities Rulemaking Board.

"SEC" means the United States Securities and Exchange Commission.

"Series 2009A Bonds" means the $__________ par value Limited Tax General Obligation Bonds, Series 2009A, of the City issued pursuant to and for the purposes provided in this ordinance.

"Series 2009B Bonds" means the $__________ par value Limited Tax General Obligation Bonds, Series 2009B (Taxable Build America Bonds - Direct Pay), of the City issued pursuant to and for the purposes provided in this ordinance.

Section 2. Debt Capacity. The assessed valuation of the taxable property within the City as ascertained by the last preceding assessment for City purposes for the calendar year 2009 is $8,023,085,077, and the City has no outstanding general indebtedness evidenced by limited tax general obligation bonds, notes, leases or conditional sales incurred within the limit of up to 1-1/2% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein; has no outstanding unlimited tax general obligation bonds incurred within the limit of up to 2 1/2% of the value of the taxable property within the City for capital purposes only; has no outstanding unlimited tax general obligation bonds incurred within the additional limit of up to 2 1/2% of the value of the taxable property within the City for utility purposes; has unlimited tax general obligation bonds in the principal amount of $16,930,000 incurred within the additional limit of up to 2 1/2% of the value of the taxable property within the City for parks and open space and economic development purposes, issued pursuant to a vote of the qualified voters of the City; and the amount of indebtedness for which bonds are authorized herein to be issued is $______________.

Section 3. Authorization of Bonds. The City shall borrow money on the credit of the City and issue negotiable limited tax general obligation bonds evidencing that indebtedness in the amount of $______________ for general City purposes to provide the funds to pay the cost of pre-paying the City Hall lease pursuant to the Development Agreement and to thereby acquire the new City Hall (the "Acquisition") and to pay the costs of issuance and sale of the Bonds (the "costs of issuance"). The general indebtedness to be incurred shall be within the limit of up to 1-1/2% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein.

Section 4. Description of Bonds. The Series 2009A Bonds shall be called Limited Tax General Obligation Bonds, Series 2009A, of the City and shall be issued in the aggregate principal amount of $______________. The Series 2009B Bonds shall be called Limited Tax General Obligation Bonds, Series 2009B (Taxable Build America Bonds - Direct Pay), of the

City and shall be issued in the aggregate principal amount of $______________. The Bonds shall be dated the date of their initial delivery; shall be in the denomination of $5,000 or any integral multiple thereof within a single series and maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each June 1 and December 1, commencing December 1, 2009, to the maturity or earlier redemption of the Bonds; and shall mature on December 1 in years and amounts and bear interest at the rates per annum as follows:

Series 2009A Bonds

Maturity Years	Amounts	Interest Rates
2010		
2011		
2013		
2013		
2014		

Series 2009B Bonds

Maturity Years	Amounts	Interest Rates
2015		
2016		
2017		
2018		
2019		
**		
2024		
**		
2029		
**		
2034		
**		
2039		

The life of the capital facility to be acquired with the proceeds of the Bonds exceeds the term of the Bonds.

Section 5. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of each of the Bonds held by each owner.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same series, interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

The Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations Neither the City nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to registered owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For as long as any Bonds are held in fully immobilized form, DTC, its nominee or its successor depository shall be deemed to be the registered owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominee and, except for the purpose of the City's undertaking herein to provide continuing disclosure, shall not mean the owners of any beneficial interests in the Bonds. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the City or such substitute depository's successor; or (iii) to any person if the Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the City that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the City determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in fully immobilized form.

<u>Section 6</u>. <u>Payment of Bonds</u>. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date or, if requested in writing by a registered owner of Bonds prior to the applicable record date, by wire transfer on the interest payment date, provided that costs of the

electronic transfer will be paid by the requesting registered owner. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners to the Bond Registrar. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations.

<u>Section 7.</u> <u>Redemption Provisions and Open Market Purchase of Bonds</u>.

(a) *Optional Redemption.* The Series 2009A Bonds and the Series 2009B Bonds maturing in years 2015 through 2019, inclusive, shall be issued without the right or option of the City to redeem those Bonds prior to their stated maturity dates. The City reserves the right and option to redeem the Series 2009B Bonds maturing on or after December 1, 2024, prior to their stated maturity dates at any time on or after December 1, 2019, as a whole or in part (within one or more maturities selected by the City and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

(b) *Extraordinary Optional Redemption.* The Series 2009B Bonds maturing before December 1, 2019, are subject to redemption are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part upon the occurrence of an Extraordinary Event (defined below), at a redemption price (the "Extraordinary Redemption Price") equal to the greater of: (i) the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount of such Series 2009B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2009B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2009B Bonds are to be redeemed, discounted to the date on which such Series 2009B Bonds are to be redeemed on a

"Reference Treasury Dealers" means ______________________________, and their respective successors; provided, however, that if any of them ceases to be a Primary U.S. Government securities dealer in the City of New York (a "Primary Treasury Dealer"), the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means for each Reference Treasury Dealer and for a purposed redemption date for a Series 2009B Bonds, the average, as determined by the Independent Investment Banker and communicated to the City, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quote in writing to the Independent Investment Banker and communicated to the City by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the 10th day (or, if such day is not a Business Day, the next preceding Business Day) preceding such redemption date.]

(c) *Mandatory Redemption.* Series 2009B Bonds maturing in the years 2024, 2029, 2034 and 2039 are Term Bonds and, if not redeemed under the optional or extraordinary optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption randomly (in such manner as the Bond Registrar shall determine) at par plus accrued interest on December 1 in years and amounts as follows:

Term Bonds Maturing in 2024

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts
2020	
2021	
2022	
2023	
2024*	

* *Maturity*

Term Bonds Maturity in 2029

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts
2025	
2026	
2027	
2028	
2029*	

Term Bonds Maturing in 2034

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts

Term Bonds Maturity in 2039

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts

semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 100 basis points; plus, in each case, accrued interest on such Series 2009B Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to section 54AA or section 6431 of the Code (as such sections were added by section 1531 of the Recovery Act pertaining to "Build America Bonds") pursuant to which the City's 35 percent direct payments from the United States Treasury are reduced or eliminated.

[The term "Treasury Rate" means, with respect to any redemption date for particular Series 2009B Bonds, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

"Comparable Treasury Issue" means the U.S. Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity comparable to the remaining weighted average life of the applicable Series 2009B Bonds to be redeemed and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining weighted average live of such Series 2009B Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any date fixed for redemption of a particular Series 2009B Bond, the average of the Reference Treasury Dealer Quotations for such redemption date.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the City.

(g) *Cancellation of Bonds*. All Bonds purchased or redeemed under this section shall be canceled.

Section 8. Notice of Redemption. While the Bonds are held by DTC in book-entry only form, any notice of redemption shall be given at the time, to the entity and in the manner required by DTC in accordance with the Letter of Representations, and the Bond Registrar shall not be required to give any other notice of redemption. If the Bonds cease to be in book-entry only form, the City shall cause notice of any intended redemption of Bonds to be given by the Bond Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond.

In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected registered owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid, to the MSRB and to such other persons and with such additional information as the Finance

2030
2031
2032
2033
2034*

2035
2036
2037
2038
2039*

* *Maturity*

If the City redeems under the optional redemption provisions, purchases in the open market or defeases Term Bonds, the par amount of the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given.

(d) *Partial Redemption of Bonds.* Portions of the principal amount of any Bond, in installments of $5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same series, maturity and interest rate in any of the denominations authorized by this ordinance in the aggregate principal amount remaining unredeemed.

(e) *Open Market Purchase.* The City further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price plus accrued interest to the date of purchase.

(f) *Selection of Bonds for Redemption.* Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

<u>Section 9</u>. <u>Failure To Redeem Bonds</u>. If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

<u>Section 10</u>. <u>Pledge of Taxes</u>. For as long as any of the Bonds are outstanding, the City irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor (including the federal credit payments described in the following sentence), to pay when due the principal of and interest on the Bonds, and the full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest. The credit payments made by the United States Treasury to the City pursuant to section 6431 of the Code in an amount equal to 35% of the interest payable on the Series 2009B Bonds on each interest payment date also are pledged to the payment when due of the principal of and interest on the Series 2009B Bonds.

<u>Section 11</u>. <u>Form and Execution of Bonds</u>. The Bonds shall be prepared in a form consistent with the provisions of this ordinance and state law and shall be signed by the Mayor

and City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered City of Shoreline, Washington, Limited Tax General Obligation Bonds, [Series 2009A/Series 2009B (Taxable Build America Bonds – Direct Payment)], described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENT
Bond Registrar

By ______________________________
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the City authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the City, those Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 12. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and City Ordinance No. 453 establishing a system of registration for the City's bonds and obligations.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 13. Preservation of Tax Exemption for Interest on Series 2009A Bonds. The City covenants that it will take all actions necessary to prevent interest on the Series 2009A Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Series 2009A Bonds or other funds of the City treated as proceeds of the Series 2009A Bonds at any time during the term of the Series 2009A Bonds which will cause interest on the Series 2009A Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the Series 2009A Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Series 2009A Bonds, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Series 2009A Bonds from being included in gross income for federal income tax purposes.

<u>Section 14</u>. <u>Designation of Series 2009A Bonds as "Qualified Tax-Exempt Obligations."</u> The City has determined and certifies that (a) the Series 2009A Bonds are not "private activity bonds" within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) which the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Series 2009A Bonds are issued will not exceed $30,000,000; and (c) the amount of tax-exempt obligations, including the Series 2009A Bonds, designated by the City as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series 2009A Bonds are issued does not exceed $30,000,000. The City designates the Series 2009A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

<u>Section 15</u>. <u>Election to Treat Series 2009B Bonds as "Build America Bonds"; Tax Covenants</u>. The City hereby irrevocably elects to have section 54AA of the Code apply to the Series 2009B Bonds so that the Series 2009B Bonds are treated as "Build America Bonds," and further to have subsection 54AA(g) of the Code apply to the Series 2009B Bonds so that the Series 2009B Bonds are treated as "qualified bonds" with respect to which the City will be allowed a credit payable by the United States Treasury to the City pursuant to section 6431 of the

Code in an amount equal to 35% of the interest payable on the Series 2009B Bonds on each interest payment date. The City authorizes the Finance Director to take such actions as are necessary or appropriate for the City to receive from the United States Treasury the applicable federal credit payments in respect of the Series 2009B Bonds, including but not limited to the timely filing with the Internal Revenue Service of Form 8038-CP – "Return for Credit Payments to Issuers of Qualified Bonds."

The City also covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the entitlement of the City to receive from the United States Treasury the applicable federal credit payments in respect of the Series 2009B Bonds. Without limiting the generality of the foregoing, the City will comply with the provisions of the Code compliance with which would result in the interest on the Series 2009B Bonds being excluded from gross income for federal tax purposes but for the City's irrevocable election to have Section 54AA of the Code apply to the Series 2009B Bonds.

Section 16. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or "government obligations" (as defined in chapter 39.53 RCW, as now or hereafter amended) maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased

Bonds (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of a series of Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the City may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine.

If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

Section 17. Bond Fund; Lease Transfer Fund; and Deposit of Bond Proceeds. The Bond Fund is hereby created and established in the office of the Finance Director as a special fund designated the Limited Tax General Obligation Bond Fund, 2009, for the purpose of paying principal of and interest on the Bonds. All taxes collected for and allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund.

The Lease Transfer Fund also is hereby created and established in the office of the Finance Director as a special fund designated the City Hall Lease Transfer Fund, 2009. The principal proceeds and premium, if any, received from the sale and delivery of the Bonds shall be paid into the Lease Transfer Fund and used to pay the costs of the Acquisition and costs of issuance of the Bonds. Until needed to such costs, the City may invest principal proceeds temporarily in any legal investment, and the investment earnings may be retained in the Lease Transfer Fund and be spent for the purposes of that fund except that earnings subject to a federal tax or rebate requirement may be withdrawn from the Lease Transfer Fund and used for those tax or rebate purposes. Any amounts remaining in the Lease Transfer Fund remaining after payment of the lease transfer amount for the City Hall and costs of issuance of the Bonds, may be applied to payment of the lease transfer amount for the parking facilities or for any other proper City purpose.

<u>Section 18</u>. <u>Approval of Bond Purchase Contract</u>. Piper Jaffray & Co. of Seattle, Washington, has presented a purchase contract (the "Bond Purchase Contract") to the City offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the City Finance Director and is incorporated herein by this reference. The City Council finds that entering into the Bond Purchase Contract is in the City's best interest and therefore accepts the offer contained therein and authorizes its execution by City officials.

The Bonds will be printed at City expense and will be delivered to the purchaser in accordance with the Bond Purchase Contract, with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Bonds.

The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 19. Preliminary Official Statement Deemed Final. The City Council has been provided with copies of a preliminary official statement dated ____________, 2009 (the "Preliminary Official Statement"), prepared in connection with the sale of the Bonds. For the sole purpose of the Bond purchaser's compliance with SEC Rule 15c2-12(b)(1), the City "deems final" that Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery dates, ratings and other terms of the Bonds dependent on such matters.

Section 20. Undertaking to Provide Continuing Disclosure. To meet the requirements of SEC Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the City makes the following written undertaking (the "Undertaking") for the benefit of holders of the Bonds:

> (a) Undertaking to Provide Annual Financial Information and Notice of Material Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:
>
> > (i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in subsection (b) of this section ("annual financial information");
> >
> > (ii) Timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009A Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes; and

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with the generally accepted accounting principles applicable to Washington State local governmental units, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (2) authorized, issued and outstanding balance of general obligation bonds; (3) assessed valuation of property within the City for the fiscal year; and (4) regular property tax levy rate and regular property tax levy rate limit for the fiscal year;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 2009; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by the Rule.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the City and any holder of Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of the Rule which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Director (or such other officer of the City who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the City in respect of the Bonds set forth in this section and in accordance with the Rule, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in subsection (a) has occurred, assessing its materiality with respect to the Bonds, and, if material, preparing and disseminating notice of its occurrence;

(iii) Determining whether any person other than the City is an "obligated person" within the meaning of the Rule with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of material events for that person in accordance with the Rule;

(iv) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the City in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

Section 21. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication of a summary of the ordinance consisting of its title as required by law.

PASSED BY THE CITY COUNCIL ON JULY 29, 2009.

____
Mayor

ATTEST:

____
Scott Passey
City Clerk

APPROVED AS TO FORM:

____
Ian Sievers
City Attorney

Publication Date: ______________

Effective Date: ______________

CERTIFICATION

I, the undersigned, City Clerk of the City of Shoreline, Washington (the "City"), hereby certify as follows:

1. The attached copy of Ordinance No. 556 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a special meeting of the City Council of the City held at the regular meeting place thereof on July 29, 2009, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect five days after publication in the City's official newspaper;

2. Written notice specifying the time and place of the special meeting and noting the business to be transacted was given to all members of the City Council by mail or by personal delivery at least 24 hours prior to the special meeting, a true and complete copy of which notice is attached hereto as Appendix 1;

3. Written notice of the special meeting was given to each local radio or television station and to each newspaper of general circulation that has on file with the City a written request to be notified of special meetings, or to which such notice customarily is given; and

4. A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the passage of the Ordinance.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of July, 2009.

CITY OF SHORELINE, WASHINGTON

Scott Passey, City Clerk

Attachment B

DRAFT DATED 7/14/2009

PRELIMINARY OFFICIAL STATEMENT DATED [____________], 2009

NEW ISSUE - BOOK-ENTRY ONLY
BANK QUALIFIED – SERIES 2009A

STANDARD & POOR'S RATING: AA+
(See the caption "BOND RATING") herein.

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Series 2009A Bonds, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes and is not subject to the federal alternative minimum tax. However, interest on the Series 2009A Bonds received by certain S corporations may be subject to tax, and interest on the Series 2009A Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Series 2009A Bonds may have other federal tax consequences for certain taxpayers. In the opinion of Bond Counsel, interest on the Series 2009B Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS" herein.

CITY OF SHORELINE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BONDS

$2,360,000*
SERIES 2009A

$19,925,000*
SERIES 2009B
(Taxable Build America Bonds – Direct Payment)

DATED: Date of Initial Delivery

DUE: December 1, as shown on inside cover

The City of Shoreline, Washington (the "City"), Limited Tax General Obligation Bonds, Series 2009A the "Series 2009A Bonds") and Limited Tax General Obligation Bonds, Series 2009B (Taxable Build America Bonds – Direct Payment) (the "Series 2009B Bonds" and together with the Series 2009A Bonds, the "Bonds"), will be issued in fully registered form, and when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. The Bonds initially will be issued in book-entry form only in the denomination of $5,000 or any integral multiple thereof within a series and maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable semiannually on June 1 and December 1 of each year, commencing December 1, 2009, to the maturity or prior redemption of the Bonds. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington, currently The Bank of New York Mellon, New York, New York (the "Bond Registrar"). For so long as the Bonds remain in a book-entry only transfer system, the Bond Registrar will make such payments only to Cede & Co., as nominee for DTC and registered owner of the Bonds, which in turn is obligated to remit such payments to DTC participants for subsequent disbursement to Beneficial Owners of the Bonds. See Appendix C - "BOOK-ENTRY ONLY SYSTEM."

The Series 2009A Bonds are not subject to redemption prior to their stated maturity. The Series 2009B Bonds are subject to redemption prior to their stated maturity as described herein. See "DESCRIPTION OF THE BONDS – Redemption Provisions."

The Bonds are limited tax general obligation bonds. The City irrevocably has pledged that for as long as any of the Bonds remain outstanding, it will include in its budget and levy taxes annually, within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all the taxable property within the City in an amount sufficient, together with other money legally available therefor, to pay the principal of and interest on the Bonds as they become due. The full faith, credit and resources of the City have been irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The Bonds do not constitute a debt or indebtedness of the State of Washington or any political subdivision thereof other than the City. See "DESCRIPTION OF THE BONDS – Security for the Bonds."

The Bonds are offered by the Underwriter when, as and if issued by the City, with the approving legal opinion of Foster Pepper PLLC, Bond Counsel and Disclosure Counsel, Seattle, Washington. The form of Bond Counsel's opinion is attached hereto as Appendix A. It is expected that the Bonds in book-entry form will be ready for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about [August 10/11], 2009.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

PiperJaffray.

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* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

CITY OF SHORELINE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BONDS

$2,360,000*
Series 2009A

Due Dec. 1	Amount*	Rate	Yield or Price	CUSIP Numbers
2010	$445,000			
2011	460,000			
2012	470,000			
2013	485,000			
2014	500,000			

$19,925,000*
Series 2009B
(Taxable Build America Bonds – Direct Payment)

Serial Bonds

Due Dec. 1	Amount*	Rate	Yield or Price	CUSIP Numbers
2015	$515,000			
2016	530,000			
2017	540,000			
2018	555,000			
2019	570,000			

$3,165,000* ____% Term Bonds due December 1, 2024 @ ____% CUSIP No. ________

$3,785,000* ____% Term Bonds due December 1, 2029 @ ____% CUSIP No. ________

$4,605,000* ____% Term Bonds due December 1, 2034 @ ____% CUSIP No. ________

$5,665,000* ____% Term Bonds due December 1, 2039 @ ____% CUSIP No. ________

* Preliminary, subject to change.

CITY OF SHORELINE, WASHINGTON
17500 Midvale Avenue North
Shoreline, WA 98133
(206) 801-2301
www.shorelinewa.gov*

MAYOR AND CITY COUNCIL

Member	Position	Term Expires
Cindy Ryu	Mayor	December 31, 2009
Terry Scott	Deputy Mayor	December 31, 2011
Chris Eggen	Councilmember	December 31, 2011
Ronald Hansen	Councilmember	December 31, 2009
Doris McConnell	Councilmember	December 31, 2011
Keith McGlashan	Councilmember	December 31, 2009
Janet Way	Councilmember	December 31, 2009

APPOINTED OFFICIALS

Robert Olander	City Manager
Julie Underwood	Assistant City Manager
Debbie Tarry	Finance Director
Mark Relph	Public Works Director

UNDERWRITER

Piper Jaffray & Co.
Seattle, Washington

BOND COUNSEL

Foster Pepper PLLC
Seattle, Washington

FINANCIAL ADVISOR

Steve Gaidos Consulting, LLC
Issaquah, Washington

DISCLOSURE COUNSEL

Foster Pepper PLLC
Seattle, Washington

* The City's website is not part of this Official Statement and investors should not rely on information which is presented in the City's website in determining whether to purchase Bonds. This inactive textual reference to the City's website is not a hyperlink and does not incorporate the City's website by reference.

No dealer, broker, salesperson, or any other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the City, DTC and certain other sources that the City believes to be reliable. However, the City makes no representation regarding the accuracy or completeness of the information provided in Appendix C – "BOOK-ENTRY ONLY SYSTEM," which has been furnished by DTC. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no material change in the affairs of the City since the date of this Official Statement. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact or representations that the estimates will be realized.

Certain statements contained in this Official Statement reflect not historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe" and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise expressly provided in "CONTINUING DISCLOSURE."

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have they been registered under the securities laws of any state.

The City will deem "final," for the purpose of compliance with Securities and Exchange Commission Rule 15c2–12(b)(1), this Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery dates, and other terms of the Bonds dependent on such matters. This Preliminary Official Statement is subject to revision, completion and amendment in a final Official Statement.

CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers are included on the inside cover of this Official Statement for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. The City takes no responsibility for the accuracy of such CUSIP numbers.

Information on web site addresses set forth in this Official Statement is not included in or incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can it be relied upon in making investment decisions regarding the Bonds.

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OFFICIAL STATEMENT

CITY OF SHORELINE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS

$2,360,000* SERIES 2009A	$19,925,000* SERIES 2009B (Taxable Build America Bonds – Direct Payment)

INTRODUCTION

The City of Shoreline, Washington (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the "State"), furnishes this Official Statement in connection with the offering of its Limited Tax General Obligation Bonds, Series 2009A, to be issued in the aggregate principal amount of $2,360,000* (the "Series 2009A Bonds") and its Limited Tax General Obligation Bonds, Series 2009B (Taxable Build America Bonds – Direct Payment) in the aggregate principal amount of $19,925,000* (the "Series 2009B Bonds," and together with the Series 2009A Bonds, the "Bonds"). This Official Statement provides information concerning the City and the Bonds.

The Bonds are being issued in accordance with the provisions of the Constitution and applicable statutes of the State and pursuant to Ordinance No. ___ (the "Bond Ordinance") of the City Council, passed on _______________, 2009.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated and bear interest from the date of their initial delivery. The Bonds will mature on the dates and in the principal amounts and will bear interest (payable semiannually on each June 1 and December 1, commencing December 1, 2010) at the respective rates set forth on the inside cover page of this Official Statement until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Principal of and interest n the Bonds will be payable in lawful money of the United States of America.

Designation of Series 2009B Bonds as "Build America Bonds"

The City has made irrevocable elections to have section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), apply to the Series 2009B Bonds so that the Series 2009B Bonds are treated as "Build America Bonds," and further to have subsection 54AA(g) of the Code apply to the Series 2009B Bonds so that the Series 2009B Bonds are treated as "qualified bonds" with respect to which the City will be allowed a credit payable by the United States Treasury to the City pursuant to section 6431 of the Code in an amount equal to 35% of the interest payable on the Series 2009B Bonds on each interest payment date. As a result of these elections, interest on the Series 2009B Bonds is not excludable from gross income of beneficial owners ("Owners") of the Series 2009B Bonds for federal income tax purposes, and Owners of the Series 2009B Bonds will not be allowed any federal tax credits as a result of ownership of or receipt of interest payments on the Series 2009B Bonds. See "TAX MATTERS" herein. The obligation of the United States Treasury under section 6431 of the Code to make direct payments to the City in respect of interest payments on the Series 2009B Bonds does not constitute a full faith and credit guarantee of the Series 2009B Bonds by the United States of America.

The City has authorized the Finance Director to take such actions as are necessary or appropriate for the City to receive from the United States Treasury the applicable federal credit payments in respect of the

* Preliminary, subject to change.

Series 2009B Bonds, such as the timely filing with the Internal Revenue Service of Form 8038-CP – "Return for Credit Payments to Issuers of Qualified Bonds" in the manner prescribed by Internal Revenue Service Notice 2009-26. The City also has covenanted in the Bond Ordinance that it will not take or permit to be taken on its behalf any action that would adversely affect the entitlement of the City to receive from the United States Treasury the applicable federal credit payments in respect of any bonds, including the Series 2009B Bonds, sold and issued as Build America Bonds. Without limiting the generality of the foregoing, the City has covenanted to comply with the provisions of the Code compliance with which would result in the interest on such Series 2009B Bonds being excluded from gross income for federal tax purposes but for an irrevocable election to have section 54AA of the Code apply to such bonds, including the Series 2009B Bonds.

Form, Denomination and Registration

The Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as initial securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof within a series and maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (the "Bond Registrar"), currently The Bank of New York Mellon in New York, New York, to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to beneficial owners of the Bonds. See Appendix B –"BOOK-ENTRY ONLY SYSTEM".

Security for the Bonds

The Bonds are limited tax general obligation bonds. The City has irrevocably pledged that for as long as any of the Bonds remain outstanding, it will include in its budget and levy taxes annually, within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all the taxable property within the City in an amount sufficient, together with other money legally available therefor, to pay the principal of and interest on the Bonds as they become due. The full faith, credit and resources of the City have been irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

THE BONDS DO NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF WASHINGTON OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE CITY.

The rights and remedies of anyone seeking enforcement of the Bonds are subject to applicable bankruptcy or insolvency laws or other similar laws generally affecting creditors' rights and principles of equity if equitable remedies are sought.

Redemption Provisions

Optional Redemption. The Series 2009A Bonds and the Series 2009B Bonds maturing in years 2015 through 2019, inclusive, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the Series 2009B Bonds maturing on or after December 1, 2024, prior to their stated maturity dates at any time on or after December 1, 2019, as a whole or in part (within one or more maturities selected by the City and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

Extraordinary Optional Redemption. The Series 2009B Bonds [maturing on ____] are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part upon the occurrence of an Extraordinary Event (defined below), at a redemption price (the "Extraordinary Redemption Price") equal to the greater of: (i) the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount of such Series 2009B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2009B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2009B Bonds are to be redeemed, discounted to the date on which such Series 2009B Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described above) plus 100 basis points; plus, in each case, accrued interest on such Series 2009B Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to section 54AA or section 6431 of the Code (as such sections were added by section 1531 of the Recovery Act pertaining to "Build America Bonds") pursuant to which the City's 35 percent direct payments from the United States Treasury are reduced or eliminated.

Mandatory Redemption of the Term Bonds. The Series 2009B Bonds maturing on December 1 in the years 2024, 2029, 2034 and 2039 are Term Bonds and, if not redeemed under the optional or extraordinary optional redemption provisions set forth above or purchased in the open market as set forth below, shall be called for redemption randomly (in such manner as the Bond Registrar shall determine) at par plus accrued interest on December 1 in years and amounts as follows:

Term Bonds Maturing in 2024

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts*
2020	$590,000
2021	610,000
2022	630,000
2023	655,000
2024**	680,000

Term Bonds Maturity in 2029

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts*
2025	$700,000
2026	730,000
2027	760,000
2028	785,000
2029**	815,000

Term Bonds Maturing in 2034

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts*
2030	$845,000
2031	885,000
2032	920,000
2033	995,000
2034**	995,000

Term Bonds Maturity in 2039

Mandatory Redemption Dates (December 1)	Mandatory Redemption Amounts*
2035	$1,040,000
2036	1,085,000
2037	1,130,000
2038	1,180,000
2039**	1,230,000

* Preliminary, subject to change.
** *Maturity*

If the City redeems Term Bonds under the optional or extraordinary optional redemption provisions, purchase Bonds in the open market or defeases Term Bonds, the par amount of those Term Bonds so redeemed, purchase or defeased (irrespective of their actual redemption or purchase prices) will be recited against one or more scheduled mandatory redemption amounts for those Term Bonds (as allocated by the City) beginning at least 60 days prior to the earlier mandatory redemption date for the Bonds for which notice of redemption has not already been given.

Selection of Bonds for Redemption. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, selection of Bonds for optional, extraordinary optional or mandatory redemption will be in accordance with the Letter of Representations between the City and DTC.

Partial Redemption of Bonds. Portions of the principal amount of any Bond, in installments of $5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same series, maturity and interest rate in any of the denominations authorized by the Bond Ordinance.

Notice of Redemption. While the Bonds are held by DTC in book-entry only form, any notice of redemption will be given at the time, to the entity and in the manner required by DTC in accordance with the Blanket Issuer Letter of Representations between the City and DTC, and the Bond Registrar will not be required to give any other notice of redemption. If the Bonds cease to be in book-entry only form, the City will cause notice of any intended redemption of Bonds to be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond.

In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and related optional redemption of Bonds by giving a notice of rescission to the affected registered owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded will be of no effect, and the Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

Effect of Call for Redemption. Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice will be mailed within the same period, postage prepaid, to the Municipal Securities Rulemaking Board and to such other persons and with such additional information as the City Finance Director shall determine, but these additional mailings will not be a condition precedent to the redemption of Bonds.

Open Market Purchase

The City reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price plus accrued interest to the date of purchase.

Failure to Redeem the Bonds

If any Bond is not redeemed when properly presented at its maturity or call date, the City will be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the bond redemption fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Defeasance of the Bonds

In the event that money and/or direct obligations as such obligations are defined in chapter 39.53 RCW, as now or hereafter amended, maturing at such time or times and bearing interest in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are set aside in a special account of the City to effect such redemption and retirement, and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the bond redemption fund of the City for the payment of the principal of and interest on the Bonds so provided for, and such Bonds will cease to be entitled to any lien, benefit or security of the Bond Ordinance except the right to receive the money so set aside and pledged, and such Bonds will be deemed not to be outstanding.

Book-Entry Transfer System

The ownership of one fully registered Bond for each maturity of each series of the Bonds, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix B – BOOK-ENTRY ONLY SYSTEM."

Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to registered owners under the Bond Ordinance (except such notices as are required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the registered owner. For so long as any Bonds are held in fully immobilized form under the Bond Ordinance, DTC or its successor depository will be deemed to be the registered owner for all purposes thereunder, and all references therein to the registered owners will mean DTC (or any successor depository) or its nominee and will not mean the owners of any beneficial interest in such Bonds.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the registered owners at the addresses for such registered owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds will be payable upon presentation and surrender of such Bonds by the registered owners at the principal office of the Bond Registrar, provided, however, that if so requested in writing by the registered owner of at least $1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

PURPOSE AND USE OF PROCEEDS

Purpose

Proceeds of the Bond will be used to pay costs of pre-paying a lease to carry out the acquisition of a new City Hall and related parking structure and to pay costs of issuance of the Bonds.

Sources and Uses of Proceeds

The proceeds of the Bonds, rounded to the nearest dollar, are to be applied as follows:

Sources	Series 2009A Bonds	Series 2009B Bonds
Principal Amount of Bonds	$ 2,360,000*	$19,925,000*
Net Premium/Discount		
City Contribution	10,828,000	
Grant Proceeds	597,000	
Total Sources of Funds	$	$
Uses		
Deposit to Project Fund		
Costs of Issuance and Rounding (1)		
Total Uses of Funds	$	$

(1) Includes Bond Counsel fee, financial advisory fee, underwriting discount and rating fee.
*Preliminary, subject to change.

DEBT PAYMENT RECORD

The City has always promptly met principal and interest payments on its outstanding bonds, notes and warrants when due. Additionally, the City has never issued refunding bonds or incurred other debt for the purpose of preventing an impending default.

FUTURE FINANCINGS

The City does not have any plans to issue additional general obligation indebtedness within the next five years. However, the City is participating in a consortium of other cities including Bellevue, Seattle, Kirkland, and Redmond to determine the need for a jail facility in the future. Currently these cities have contracts with King County and other agencies to provide jail space. King County has notified the participating cities that they cannot guarantee jail space for misdemeanant prisoners after 2015. As such these cities area currently evaluating six different sites along with discussions with King County for a jail expansion. It is anticipated that a decision on either a site for a new facility or a contract with King County for jail expansion will be made by mid-2010. An ownership structure will be determined at that time and the financing structure will occur simultaneously. It is unlikely that individual cities will issue general obligation bonds for the construction of a new facility, but it is likely that a joint agreement may be developed that allows for the issuance of limited tax general obligation bonds on behalf of the consortium if a new facility is constructed and participating cities will pay their fair portion through jail usage rates.

AUTHORIZATION OF INDEBTEDNESS

The power of the City to contract debt of any kind is controlled and limited by State law. All debt must be set forth in accordance with detailed budget procedures and paid for out of identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the City to incur liabilities in excess of budgetary appropriations.

General Obligation Indebtedness

Under the Constitution and statutes of the State, the City may incur two types of general obligation indebtedness (including bonds). The two types are primarily differentiated by the limits on the real and personal property taxes that may be collected for the payment of such indebtedness.

Limited tax general obligation indebtedness such as the Bonds is payable from taxes upon all the taxable property in the City which may be imposed by the City within the limitations prescribed by State statute without a vote of the people. Such limited tax indebtedness is sometimes referred to as "non-voted debt" or "non-voted bonds" or "councilmanic bonds." **The Bonds are limited tax general obligations of the City.** Unlimited tax general obligation indebtedness is payable from taxes without limitation as to rate or amount, imposed upon all taxable property in the City. Unlimited tax indebtedness may be incurred only after approval by 60% of the City voters at an election in which the total votes cast exceed 40% of the votes cast at the last preceding general election of the City or State. Such unlimited tax indebtedness is sometimes referred to as "voted debt," "voted bonds" or "unlimited tax bonds." The Bonds are not unlimited tax obligations of the City. Bonds issued to refund outstanding general obligation indebtedness of either type may be issued without voter approval.

Any Washington municipal corporation may borrow money and issue short-term obligations, the proceeds of which may be used for any lawful purpose. Short-term obligations may be issued in anticipation of the receipt of revenues, taxes, or grants or the sale of general obligation bonds if the bonds may be issued without the consent of the voters or if previously ratified by the voters. These short-term obligations must be repaid out of money derived from the source or sources in anticipation of which they were issued or from any money legally available for this purpose.

Additionally, the City Council may incur short-term indebtedness for emergency expenditures by authorizing indebtedness outside the current budget to be paid by warrants from any available money in the fund properly chargeable with such expenditures. If there is insufficient money on hand in the fund, the warrants become registered interest-bearing warrants. In adopting the budget for any fiscal year, the City Council is required to appropriate funds to retire any outstanding registered warrants issued since the adoption of the last preceding budget.

The City may also, without a vote of the electors, purchase property on a conditional sales contract or lease property with or without an option to purchase if the total contract amount, together with the other non-voted general obligation indebtedness of the City, does not exceed 1.5% of the value of taxable property in the City. Any item so purchased must be budgeted for payment in accordance with the terms of the contract.

Limits on Amount of General Obligation Indebtedness

State statutes limit the total principal amount of all City general obligation indebtedness incurred for "general" purposes, both limited tax and unlimited tax, to 2.5% of the actual value of taxable property within the City. Within this 2.5% limitation, non-voted indebtedness is further limited to 1.5% of the value of such taxable property.

The City is additionally authorized to incur general obligation indebtedness for the following "special" purposes, with voter approval, in the total principal amount of up to the following percentages of the actual value of taxable property within the City: water, artificial light and sewers, 2.5%; and open space and park facilities and facilities associated with economic development, 2.5%. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of the City's assessed valuation.

The State statutory limits on City general obligation indebtedness described in this section are more restrictive than those contained in the State Constitution. Both the Constitutional and statutory debt limits may be exceeded if necessary to meet obligations made mandatory by State law or, if necessary, to maintain the corporate existence of the City. In computing total general obligation indebtedness, the following "assets" may be deducted against the principal amount of indebtedness outstanding: (a) money and investments on deposit in general obligation bond retirement funds; (b) taxes (both current and delinquent) levied for the payment of general obligation indebtedness; and (c) delinquent (but not current) taxes due the general fund.

In addition to limits on the total principal amount of general obligation indebtedness described in this section, the Constitution and statutes of the State impose other limitations on the City's levy of taxes upon real and personal property. See "TAXING AUTHORITY AND LIMITATIONS."

Bonded Debt and Other Outstanding Obligations

Other than the Bonds, the City has no other outstanding limited tax bonds, leases or any other obligations backed by the full faith and credit of the City. The City has $16,930,000 par value of voter-approved Unlimited Tax General Obligation Bonds, 2006, outstanding as of December 31, 2008, and does not have any debt that is authorized and unissued.

STATUTORY DEBT LIMIT CALCULATION FOR THE CITY
(as of June 1, 2009[1])

2008 Assessed Valuation ("AV") for Collection Year 2009[2]	$ 8,023,085,077
Non-Voted Debt Capacity	
Non-Voted Debt Capacity (1.5% of AV)	$ 120,346,276
Less: Non-Voted Debt Outstanding	-0-
Less : The Bonds	22,285,000
Remaining Non-Voted General Obligation Debt Capacity	$ 98,061,276
Total Debt Capacity for General Purposes	
Non-voted and Voted Debt Capacity (2.5% of AV)	$ 200,577,127
Less: Voted Bonds Outstanding	0
Less: Non-Voted Bonds Outstanding (including the Bonds)	22,285,000
Remaining Debt Capacity for General Purposes	$ 178,292,127
Utility Purposes	
Voted Debt Capacity (2.5% of AV)	$ 200,577,127
Less: Voted Bonds Outstanding	0
Remaining Capacity for Utility Purposes	$ 200,577,127
Parks and Open Space and Economic Development Purposes	
Voted Debt Capacity (2.5% of AV)	$ 200,577,127
Less: Voted Bonds Outstanding	16,930,000
Remaining Capacity for Parks/Open Space & Economic Development Purposes	$ 183,647,127

(1) Includes the Bonds; preliminary subject to change.

(2) Total taxable assessed valuation.

Source: King County Assessor's Office and City of Shoreline.

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Net Direct and Overlapping Debt

The following tables present information regarding the City's direct debt (including the Bonds) and the estimated portion of the debt of overlapping taxing districts allocable to the City's residents.

Estimated 2008 Population	53,440
Assessed Valuation (2009 Collection Year)	$8,023,085,077

Debt Information

Direct Debt of City of Shoreline				
Outstanding General Obligation Debt:				
Outstanding Unlimited Tax General Obligation Debt	$	16,930,000		
Outstanding Limited General Obligation Debt(1)		22,285,000		
Total Net Direct Debt			$	39,215,000
Estimated Overlapping Debt(2)				
King County	$	22,269,453		
Port of Seattle		7,825,946		
School District No. 412		101,999,469		
Fire District No. 4		8,559,394		
Rural Library District		2,266,046		
Total Estimated Overlapping Debt				142,920,308
Total Net Direct and Estimated Overlapping Debt			$	182,135,308

(1) Includes the Bonds; preliminary, subject to change.
(2) As of December 31, 2008.

Source: City of Shoreline and King County Treasury Division.

Bonded Debt Ratios

Ratio of:		
Net Direct Debt to Assessed Value		0.49%
Net Direct and Estimated Overlapping Debt to Assessed Value		2.27%
Per Capita:		
Net Direct Debt	$	734
Net Direct and Estimated Overlapping Debt to Assessed Value	$	3,408

TAXING AUTHORITY AND LIMITATIONS

General Property Taxes

The following provides a general description of the City's taxing authority and limitations thereon, the method of determining the assessed value of real and personal property, tax collection procedures, and tax collection information. The total assessed value of taxable property in the City is $8,023,085,077 for purposes of tax collection in 2009.

Authorized Property Taxes

The City is authorized to levy both "regular" property taxes and "excess" property taxes.

Regular Property Taxes. Regular property taxes are subject to constitutional and statutory limitations as to rates and amounts and commonly are imposed by taxing districts for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, such as the Bonds.

Regular property taxes do not require voter approval except as described below. **The Bonds are payable from regular property tax levies, which are subject to the limitations described below.**

Excess Property Taxes. Excess property taxes are levied pursuant to voter approval, as provided in Article 7, Section 2, of the State Constitution and RCW 84.52.052. They are not subject to limitation as to rates or amounts but must be authorized by a 60% approving vote at an election at which certain minimum voter turnout requirements are met. Excess levies may be imposed without a popular vote when necessary to prevent impairment of the obligations of contracts.

Regular Property Tax Limitations

Maximum Rate Limitation. The City may levy, without a vote of the people, regular *ad valorem* property taxes not to exceed a rate of $3.60/$1,000 of assessed valuation. The 2009 regular levy rate for the City is $0.94703/$1,000 of assessed valuation. The City is part of a library district and a fire district. Consequently, the City's maximum allowable regular levy rate is reduced by the annual levies imposed by the library and fire districts.

Constitutional 1% Aggregate Levy Rate Limitation. Article 7, Section 2 of the State Constitution limits aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, to 1% of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute.

Statutory $5.90/$1,000 Aggregate Levy Rate Limitation. Within the Constitutional 1% limitation described above, RCW 84.52.043 further imposes a limitation of $5.90/$1,000 of the assessed valuation on the aggregate of regular levies by all taxing districts other than the State, public utility districts and port districts (the "$5.90 Limitation"). The $5.90 Limitation does not apply to voted excess levies; emergency medical care or emergency medical services levies; certain city or county levies to finance affordable housing; certain metropolitan park district levies; ferry district levies; and the portions of levies by fire protection districts that are protected under RCW 84.52.125.

Constitutional Uniformity Requirement. Article 7, Section 1 of the State Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of a taxing district. With certain limited exceptions, all real property constitutes a single class. It is possible that the overlapping of taxing districts in different areas of the City could cause the maximum aggregate levy to vary within the City. To comply with the uniformity requirement, if either the Constitutional 1% Limitation or the $5.90 Limitation is exceeded, the county assessor must reduce or eliminate levies according to a detailed prioritized list (RCW 84.52.010), beginning with the junior taxing districts. The term "junior taxing district" is defined by RCW 84.52.043 to include all taxing districts other than the State, counties, cities, towns, road districts, port districts and public utility districts.

Levy Amount Increase Limitation (101% Levy Lid). In addition to the rate limitations described above, state law (chapter 84.55 RCW) also restricts the increase in the total amount of an individual taxing district's regular levy from year to year. The law limits a taxing district's regular levy to an amount equal to 100% of the district's highest prior levy amount, multiplied by a "limit factor," plus a full value adjustment for new construction and certain other adjustments. The limit factor is defined as (i) the lesser of 101% or 100% plus inflation (measured by the implicit price deflator), or (ii) up to 101%, regardless of inflation, if approved by the legislative authority of the taxing district upon a finding of substantial need. RCW 84.55.050 allows a taxing district to levy a greater amount than would otherwise be allowed under the levy lid, either indefinitely or for a limited period or purpose if approved by a majority of the voters. This is known as a "levy lid lift." A levy lid lift does not permit the taxing district to exceed any applicable levy rate limitations. RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as "banked" levy capacity. The City does not have any bank levy capacity.

Special excess levies approved by a 60% majority of the voters and meeting minimum voter turnout requirements are not subject to the rate or amount limitations on regular levies described above.

Overlapping Taxing Districts. The overlapping taxing districts within the City have the statutory power to levy regular property taxes subject to the limitations described above and excess property taxes authorized by a vote of the electorate as provided in Article 7, Section 2, of the State Constitution and RCW 84.52.052. The following table provides a history of the levies of the overlapping taxing districts' total levies (both regular and excess tax levies) for the levy code area within the City with the highest total assessed valuation.

REPRESENTATIVE OVERLAPPING PROPERTY TAX RATES (1)
(RATES IN DOLLARS PER $1,000 OF ASSESSED VALUATION)

	City Levies									
Levy Year	**General Fund**	**Bonds(2)**	**Library**	**King County**	**State School**	**School District No. 412**	**Port**	**Fire District No. 4**	**Misc. Special Taxing Districts(3)**	**Total**
2009	0.94703	0.21709	0.41736	1.09722	1.96268	4.54314	0.19700	1.65199	0.41545	11.44946
2008	1.01539	0.24994	0.45336	1.20770	2.13233	4.13198	0.22359	1.44276	0.45500	11.31205
2007	1.09454	0.28023	0.50027	1.28956	2.32535	4.54069	0.23158	1.56020	--	12.02863
2006	1.17674	0.00000	0.53424	1.32869	2.49787	4.11749	0.23330	1.67026	--	11.77841
2005	1.24456	0.00000	0.53255	1.38229	2.68951	3.99890	0.25321	1.59605	--	11.92889
2004	1.27939	0.00000	0.53653	1.43146	2.75678	4.38331	0.25402	1.63968	--	12.51834
2003	1.35428	0.00000	0.54568	1.34948	2.89680	4.60237	0.25895	1.73377	--	12.98276

(1) Includes regular and excess levies
(2) Voter approved excess tax levy for unlimited tax bonds
(3) Includes County Emergency Medical Services, Ferry District and King County Flood District.
Source: King County Assessor's Office.

TAX COLLECTION PROCEDURE

Tax Collection Procedure

Property taxes are levied in specific amounts and the rates for all taxes levied for all taxing districts in King County (the "County"), including the City, are determined, calculated and fixed by the King County Assessor (the "Assessor"), an elected official, based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district upon a tax roll which contains the total amount of taxes to be so levied and collected. The tax roll is delivered to the County Treasurer, or equivalent thereof (the "Treasurer") by January 15 of each year. The Treasurer creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account. All such taxes are due and payable on April 30 of each year, but if the amount due from a taxpayer exceeds $50.00, one-half may be paid then and the balance paid no later than October 31 of each year.

The method of giving notice of payment of taxes due, the Treasurer's accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law the Treasurer may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

Assessed Valuation Determination

In the State of Washington the Assessor determines the value of all real and personal property throughout the County (including the City) which is subject to ad valorem taxation with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor's duties and methods of determining value are prescribed and controlled by statute and by detailed regulation promulgated by the State Department of Revenue. For tax purposes the assessed value of property is 100 percent of its true and fair value. Three approaches may be used to determine real property value: market data, replacement cost and income-generating capacity. All real property is subject to on-site appraisal every six years, and is revalued every year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner.

Property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revisions by the County Board of Appeals and Equalization, and, if appealed, subject to further revisions by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the City Council receives the Assessor's final certificate of assessed value of property within the City.

Tax Liens and Foreclosures

Property taxes and all charges and expenses relating to the taxes constitute a statutory lien on the property taxed. The lien attaches to the property from and including January 1 in the year in which the tax is levied, and is discharged only when the taxes are paid. In other respects, and subject to the "Homestead Exemption," the lien for delinquent property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation.

Subject to Internal Revenue Service liens on personal property filed prior to the levy of taxes and the homestead exemption, the lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. The County may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency. The State courts have not decided if a property owner has the right to retain the first $125,000 of proceeds of a forced sale of a family residence for delinquent general property taxes as a homestead exemption. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

The Treasurer may commence foreclosure proceedings in superior court upon all tax liens embraced by the certificate of delinquency. The Treasurer must immediately sell the property to the highest and best bidder for cash upon entry of the order of foreclosure. The minimum bid allowable is the total amount of the taxes, interest, penalty and costs due. To the extent property is stricken to the County at a foreclosure sale, that property is exempt from taxation for so long as it is held by the County. A property owner may redeem their property at any time prior to the foreclosure sale by paying the Treasurer the amount of the certificate of delinquency and all taxes, interest and costs accruing after the certificate of delinquency is issued, together with interest on such amount at the rate of 12% per annum.

CITY OF SHORELINE TAX COLLECTION HISTORY

Collection Year	General Fund Levy	Year of Levy		As of 6/1/09	
		$ Collected	% Collected	$ Collected	% Collected
2009	$7,536,343	(1)	(1)	$3,755,660	49.8%
2008	7,308,229	$7,179,913	98.2%	7,240,531	99.1
2007	7,118,089	7,017,543	98.6	7,091,009	99.6
2006	7,016,474	6,912,490	98.5	7,010,538	99.6
2005	6,888,506	6,739,713	97.8	6,888,211	100.0
2004	6,770,037	6,591,430	97.4	6,769,459	100.0
2003	6,635,235	6,463,806	97.4	6,635,235	100.0

(1) In process of collection.

Note: Taxes are due and payable on April 30, of each year succeeding the levy. At least one half of the tax amount due must be paid on or before April 30, or else the total amount becomes delinquent on May 1. The second half of the tax due is payable on or before October 31, becoming delinquent November 1.

Source: King County Treasury Division.

CITY OF SHORELINE
MAJOR TAXPAYERS

Taxpayer	2009 Collection Year Assessed Value	Percent of City's Total AV
BRE Properties	$ 56,454,000	0.70%
Sears Merchandise Group	25,939,462	0.32
COSTCO	23,600,008	0.29
Fred Meyer Stores	18,169,548	0.23
Home Depot USA	16,478,074	0.21
Panos Properties	12,782,400	0.16
Aurora Square 98 LLC	10,079,200	0.13
Safeway	9,175,903	0.11
Verizon Northwest Inc.	7,947,628	0.10
Puget Sound Energy-Gas	7,735,949	0.10
Genuardis Family Markets LP	4,709,200	0.06
Qwest Corporation	3,315,564	0.04
Subtotal – Ten Largest Taxpayers	196,386,936	2.45
All Other City Taxpayers	7,826,698,141	97.55
Total City Taxpayers	$8,023,085,077	100.00%

Source: King County Assessor's Office.

Collection of Other Taxes

In addition to its regular property tax levy, the City also collects various other taxes, including a retail sales tax (also known as a "local sales and use tax"), real estate excise tax, hotel/motel tax, local business and occupation tax, and utility taxes, among others. A table showing historical revenue from these sources is included at the end of this section.

Local Sales and Use Tax. In addition to the State, the City imposes a sales and use tax on the selling price for value on any retail sale or use of tangible personal property within the City. Sales taxes upon applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon applicable rendering of services or uses of personal property. Each seller is required to hold taxes collected in trust until remitted to the State Department of Revenue (the "Department"), which usually occurs on a monthly basis. The City's sales and use tax is collected by the Department under a contract with the City that provides for a deduction by the Department of 1% of the tax collected for the Department's administrative costs. The total general sales and use tax rate within the City as of January 1, 2009, is 9.5%. Of the total amount collected, 1% (less 0.15% that goes to the County) is returned to the City, and the remainder is distributed to the State and other public agencies. The City's effective rate is 0.85%. The amount of revenue generated by sales tax fluctuates from year to year due to changes in the economy, buying habits of consumers, and the level of construction taking place in the City.

In 2003, the State Legislature approved legislation authorizing the State's membership in the Streamlined Sales and Use Tax Agreement (the "SSUTA"), in an effort to make sales and use taxes in the State more uniform with other states. Congress has required that state sales taxes be more uniform before Congress will permit taxation of interstate catalogue and Internet sales. In 2007, the State Legislature adopted legislation fully conforming to the SSUTA. Effective July 1, 2008, the sales tax system changed in the State from an origin-based system to a destination-based system. Under destination sourcing, sales taxes on goods delivered to customers in the State are credited to the taxing jurisdiction where the goods are delivered (as opposed to the point of sale) and the rate of the tax is determined by the local rate in the destination taxing jurisdiction.

The State Legislature enacted certain provisions to mitigate net losses in sales and use tax collections of local taxing jurisdictions resulting from the change to a destination-based system. To qualify, the local taxing jurisdiction must be negatively impacted by the legislation and the local sales tax must be in effect before July 1, 2008, among other requirements. Money for mitigation is subject to appropriation by the State Legislature. Under the mitigation legislation, on each July 1, the State Treasurer is required to transfer an amount determined by the Department to fully mitigate negatively impacted local jurisdictions. The Department is required to determine each local jurisdiction's annual losses, and distributions are required to be made quarterly representing one-fourth of a jurisdiction's annual loss less voluntary compliance revenue from the previous quarter. Losses in sales tax revenues are based on a business by business comparison of sales patterns in each jurisdiction before and after the change to destination-based sales tax. "Voluntary compliance revenue" is the local sales tax revenue gain to each local taxing jurisdiction reported to the Department by sellers in other states voluntarily registered through the SSUTA

Criminal Justice Sales Tax: King County is allowed to levy a county-wide 0.1% sales tax for criminal justice purposes. Ten percent of the funds collected are distributed to King County, with the remainder allocated to the cities and the County on the basis of population.

Real Estate Excise Tax. In addition to the State, the City levies a real estate sale excise tax, which is levied on each sale of real property within the City at a total rate of 0.50% of the selling price. The first 0.25% must be spent solely on capital projects that are listed in the capital facilities plan element of the City's comprehensive plan. The second 0.25% is more restrictive in that it must be used for capital projects related to streets, roads, sidewalks, water, storm or sewer utility systems, or for capital projects related to parks.

Business and Occupation Tax. The business and occupation tax is charged to all businesses that do business within the City, whether or not the business is actually located within the City. The City currently does not levy a business and occupation tax.

Gambling Taxes. Cities that choose to allow gambling activities within their borders may tax the gambling revenues. The City taxes punch boards and pull-tabs at 5% of gross receipts. The City's tax rate for card games is 10% of gross receipts. The maximum tax rate allowed on card games is 20% of gross receipts.

Utility Taxes. Utility taxes are taxes applied to utilities providing services in the City including city-owned and privately owned utilities. The City levies a tax of 6.0% on telephone, cell phone, natural gas, garbage, cable television and storm drainage utilities.

Franchise Fees. Franchise fees are charges levied on private utilities to recoup city costs of administering the franchise and for the right to use city streets, alleys, and other public properties. The City levies a 5% franchise fee on cable television. The City also has agreements with the Shoreline Water District, Seattle Public Utilities and Ronald Wastewater District for a 6% franchise fee on water and sewer.

Electric Contract Payment. The City's contract with Seattle City Light (SCL) for provision of electricity within the City provides for a contract payment from SCL to the City in the amount of 6% of gross electric revenues generated within the City.

The following table shows the historical General Fund select revenues of the City from these taxes and certain other revenues.

General Fund Select Revenues	2009 Budget	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Property taxes	$ 7,406,509	$ 7,244,498	$ 7,101,412	$ 7,043,154	$ 6,822,871	$ 6,714,339
Sales taxes	7,305,668	7,906,127	6,635,052	6,091,513	5,996,455	5,763,210
Gambling taxes	1,912,799	1,926,627	1,998,003	2,020,244	3,003,004	3,321,060
Utility taxes	4,249,581	4,155,466	3,720,110	3,193,261	3,048,054	2,574,091
Franchise Fees	1,969,521	1,948,850	1,873,516	1,838,919	1,718,867	1,491,254
Electric contract payment	1,467,500	1,096,773	1,010,382	1,032,436	1,032,548	1,066,780
Total of Select Revenues	**$24,311,578**	**$24,278,341**	**$22,338,475**	**$21,219,527**	**$21,621,799**	**$20,930,734**
% of total General Fund Revenues	**85%**	**84%**	**78%**	**80%**	**81%**	**86%**
First 0.25% of Real Estate Excise taxes	**$375,000**	**$635,515**	**$1,065,708**	**$1,282,681**	**$1,337,816**	**$1,008,081**

Source: City of Shoreline.

AUTHORIZED INVESTMENTS

Chapter 39.59 RCW limits the investment by a city or town of its inactive funds or other funds in excess of current needs to the following authorized investments: United States bonds; United States certificates of indebtedness; bonds or warrants of the State; general obligation or utility revenue bonds or warrants of the city or town or of any other city or town in the State; a city or town's own bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty fund law; and any other investment authorized by law for any other taxing district of the State. Under chapter 43.84 RCW, the State Treasurer may invest in non-negotiable certificates of deposit in designated qualified public depositories; in obligations of the U.S. Government, its agencies and wholly owned corporations; in bankers' acceptances; in commercial paper; in the obligations of the Federal Home Loan Bank, Federal National Mortgage Association and other government corporations subject to statutory provisions and may enter into repurchase agreements.

Moneys available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or for the benefit of the general government in accordance with city ordinances and resolutions.

Funds derived from the sale of bonds or other instruments of indebtedness may be invested or used in such manner as the authorizing ordinances, resolutions or bond covenants may lawfully prescribe.

In addition to the eligible investments discussed above, bond proceeds may also be invested in mutual funds with portfolios consisting of U.S. government and guaranteed agency securities with average maturities of less than four years; municipal securities rated in one of the four highest categories; and money market funds consisting of the same, so long as municipal securities held in the fund(s) are in one of the two highest rating categories. Bond proceeds may also be invested in shares of money market funds with portfolios of securities otherwise authorized by law for investment by local governments (RCW 39.59.030).

See "THE CITY – Investment Practices" herein for a discussion of the City's investment portfolio.

Local Government Investment Pool

The State Treasurer's Office administers the Washington State Local Government Investment Pool (the "LGIP"), a $6 billion fund that invests money on behalf of more than 400 cities, counties and special taxing districts (as of April 1, 2009). In its management of LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds, including, in priority order, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) to attain the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands. The City regularly invests funds in the LGIP.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool that provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. The pool is restricted to investments with maturities of one year or less, and the average investment life typically is less than 90 days. Investments permitted under the pool's guidelines include U.S. government and agency securities, bankers' acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified Washington State depositories.

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COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES*

(Fiscal Year Ending December 31)

	2008[1]	2007	2006	2005	2004
REVENUES					
Taxes	$21,232,720	$20,766,953[5]	$19,538,008	$19,983,039	$19,415,271
Licenses & Permits	2,624,171	2,836,315	2,643,506	2,570,032[7]	2,587,963
Intergovernmental	2,397,736	2,308,689	2,092,874	2,217,010[8]	1,161,657
Charges for Services	1,736,669	1,770,089	1,643,771	1,444,609[7]	777,523
Fines & Forfeits	52,840	128,987	18,581	46,891	127,850
Investment Interest	483,582[2]	598,283	443,891	302,601	230,727
Miscellaneous	502,126[3]	205,250	174,738	80,963	84,469
TOTAL REVENUES	29,029,844	28,614,566	26,555,369	26,645,145	24,385,461
EXPENDITURES					
General Government	6,961,028	6,608,359	6,821,073	6,280,149	6,336,750
Security of Persons & Property	10,566,997	10,202,198	9,635,115	8,960,393	8,368,883
Physical Environment	540,563	1,019,250	824,007	764,068	749,746
Utilities & Economic Environment	4,058,969	3,408,689	2,947,937	2,812,106[7]	1,540,536
Culture & Recreational	4,078,987	3,847,886	3,616,414	3,393,447	2,829,721
Capital Outlay	121,345	103,250	103,915	–	82,522
TOTAL EXPENDITURES	26,327,889	25,189,632	23,948,461	22,210,162	19,908,157
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,701,955	3,424,934	2,606,908	4,434,983	4,477,304
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	1,257,236	1,046,447	1,203,841	1,160,590	2,242,495
Operating Transfers Out	(4,672,224)	(7,771,853)	(4,853,594)	(7,255,817)	(4,212,374)
TOTAL OTHER FINANCING SOURCES (USES):	(3,414,988)	(6,725,406)	(3,649,753)	(6,095,227)	(1,969,879)
NET CHANGE IN FUND BALANCES	(713,033)[4]	(3,300,472)[6]	(1,042,845)	(1,660,243)[9]	2,507,425
FUND BALANCES – BEGINNING	5,318,603	8,642,165	9,685,010	11,345,253[7]	8,428,580
Prior Period Adjustment	(210)	(23,090)	–	–	–
FUND BALANCES – ENDING	$ 4,605,360	$ 5,318,603	$ 8,642,165	$ 9,685,010	$10,936,006

***2004-2007 have been audited by the Washington State Auditor. 2008 is currently under audit.. Totals may not foot due to rounding.**

Notes:

(1) The Preliminary 2008 financial statements are currently being audited.

(2) Investment interest rates fell in 2008 resulting in lower investment interest revenue for the General Fund.

(3) The City entered into a new solid waste contract effective March 1, 2008. This contract provided a new annual administrative payment from the garbage hauler. In 2008 this payment was $165,700. A one-time private donation of $100,000 was received for the purpose of maintenance of Kruckeberg Gardens.

(4) The 2008 budget included a one-time transfer of $2,166,000 from the General Fund to the City's General Capital Fund to go towards the City Hall project. This represented one-time budget savings in 2008.

(5) The City increased its cable utility tax rate from 1% to 6% effective July 1, 2007. The City collected approximately $250,000 in additional cable utility tax in 2007 as compared to 2006 as a result of this tax increase. In 2008 an additional $250,000 was collected since the tax rate was 6% for the entire year.

[Notes 6 through 9 continued on next page.]

Notes [continued].

(6) Prior to 2007 the City's General Fund policy was to maintain a Contingency Reserve equal to 37.5 cents per thousand dollars of assessed valuation. This reserve was not included in the General Fund, but rather a separate special revenue fund. In 2007 the balance of this fund was $2.4 million. In addition to this the City policy required that the General Fund maintain a minimum combined unreserved fund balance and Contingency Reserve of at least 10% of budgeted operating revenues. The City modified this policy in 2007. The resulting reserve policy was: (1) A Revenue Stabilization Fund was established to accumulate a reserve equal to 30% of annual economically sensitive operating budget revenues. This amount was $6,125,000. (2)The General Fund Operating Reserve policy was modified to state that the General Fund would maintain a minimum cash flow reserve within the General Fund in the amount of $3,000,000. Additionally the General Fund reserves would include a 2% budget contingency reserve and an insurance deductible reserve. The total of these equaling a minimum General Fund reserve of $3.8 million. In order to fully fund the Revenue Stabilization Fund $3.7 million was transferred from the General Fund to the newly created Revenue Stabilization Fund.

(7) The Development Services Fund was accounted for as a Special Revenue Fund until 2005. In 2005 this fund was eliminated and the development services activity was accounted for in the General Fund. The activities in this fund included building permits, zoning, and inspection services. The 2004 ending fund balance in the Development Services Fund was $409,247 and when added to the $10,936,006 General Fund 2004 ending fund balance created a 2005 General Fund beginning fund balance of $11,345,523.

(8) The electric contract payment from Seattle City Light had been accounted for in the taxes revenue category prior to 2005. In 2005 this payment, which totaled $1,032,348, was accounted for in intergovernmental revenue.

(9) The City's financial policies allow the use of fund balance above the minimum requirements to be used for one-time expenditures or allocations. In 2003 the City Council authorized the transfer of $3,045,00 to the General Capital Fund to set monies aside for the future Civic Center project. In 2005 the City Council authorized the use of fund balance for the following one-time expenditures: $4,000,000 to be transferred to the General Capital Fund for the Civic Center project and $124,000 for major capital repair.

Source. City of Shoreline.

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COMPARATIVE GENERAL FUND BALANCE SHEETS (1)
(Fiscal Year Ending December 31)

	2008	2007	2006	2005	2004
ASSETS					
Cash and cash equivalents	$ 3,300	$ 3,290	$ 3,272	$ 1,811,843	$ 1,605,638
Investments(2)	3,765,451	5,631,283	9,482,411	6,501,720	8,635,469
Receivables:					
Taxes	176,255	130,170	133,852	158,701	157,453
Accounts(3)	1,624,996	1,622,231	1,804,092	1,282,894	1,367,503
Interest	53,788	79,942	29,553	22,590	--
Due from Other Government Units(3)	746,412	903,398	182,732	872,789	881,262
Prepaid Expenses	8,688	9,766	5,373	1,159	337
Total assets	6,381,891	8,380,080	11,641,285	10,651,695	12,647,661
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	486,037	605,419	704,239	422,581	457,788
Salaries, Taxes & Benefits Payable	5,998	7,311	7,429	--	--
Deferred Revenues	255,574	169,311	190,734	203,573	225,612
Deposits(4)	16,999	586,569	542,428	83,698	1,937
Due to Other Government Units	1,011,922	1,692,866	1,554,291	254,029	1,026,319
Compensated Absences Payable	--	--	--	2,804	--
Total Liabilities	1,776,350	3,061,476	2,999,120	966,686	1,711,655
Fund Balances:					
Reserved For Kruckeberg Stewardship(5)	79,438				
Unreserved, designated for:					
Petty Cash	6,300	3,290	3,270	3,300	
Unreserved, undesignated reported in:					
General Fund	4,519,623	5,315,314	8,638,895	9,681,710	10,936,006
Total Fund Balances	4,605,361	5,318,605	8,642,165	9,685,010	10,936,006
TOTAL LIABILITIES AND FUND EQUITY	$6,381,891	$8,380,080	$11,641,285	$10,651,695	$12,647,661

(1) 2004-2007 have been audited by the Washington State Auditor. 2008 is currently under audit.

(2) Prior to 2007 the City's General Fund policy was to maintain a Contingency Reserve equal to 37.5 cents per thousand dollars of assessed valuation. This reserve was not included in the General Fund, but rather a separate special revenue fund. In 2007 the balance of this fund was $2.4 million. In 2007 the City revised the policy to be: (1) A Revenue Stabilization Fund was established to accumulate a reserve equal to 30% of annual economically sensitive operating budget revenues. This amount was $6,125,000. In order to fully fund the Revenue Stabilization Fund $3.7 million was transferred from the General Fund to the newly created Revenue Stabilization Fund along with the $2.4 million that previously existed in the Contingency Reserve Fund. The City's financial policies allow the use of fund balance above the minimum requirements to be used for one-time expenditures or allocations. In 2005 the City Council authorized the use of fund balance for the following one-time expenditures: $4,000,000 to be transferred to the General Capital Fund for the Civic Center project and $124,000 for major capital repair. In 2008 a one-time transfer of $2,166,000 from the General Fund to the City's General Capital Fund to go towards the City Hall project was made.

(3) The accrual of November sales tax (received in January the following year) and the contract payment from Seattle City Light for December 2006 are reflected in2006 in Accounts Receivable instead of Due from Other Governments. In all other years these accruals are reflected in Due from Other Governments. The 2006 amount reflected in Accounts Receivable for these accruals is $648,397.

(4) In 2005 and 2006 the City received a total of $484,152 in in-lieu sidewalk deposits. This allows developers to contribute an amount of dollars equivalent to the sidewalk improvements that would be required with their development. In 2008 these deposits were transferred to the City's Road Capital Fund since sidewalk capital improvements are accounted in that fund.

(5) The City's operating agreement for Kruckeberg Gardens includes a donation from the Kruckeberg Foundation that is used to match the City's contribution for maintenance of the facility. The donation was received in 2008.

Source: City of Shoreline.

2009 GENERAL FUND BUDGET COMPARISON OF THE CITY

(Fiscal Year Ending December 31)

	2009 Current		2008 Final	
REVENUES				
Taxes	$ 20,874,557	(1)	$ 21,273,703	
Licenses & Permits	2,555,963	(2)	2,640,463	
Intergovernmental	2,679,163		2,680,721	
Charges for Services	1,772,443	(2)	1,799,213	
Fines & Forfeits	8,000		10,000	
Investment Interest	374,000		415,366	
Miscellaneous	346,268		443,895	
TOTAL REVENUES	28,610,394		29,263,361	
EXPENDITURES				
General Government Services	8,441,627		8,339,575	
Public Safety	11,115,447		11,016,746	
Utilities & Environment	563,834		662,291	
Economic Environment	4,329,971		4,488,082	
Culture & Recreational	4,365,989		4,324,300	
Capital Outlay	-		162,225	
TOTAL EXPENDITURES	28,816,868	(3)	28,993,219	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(206,474)		270,142	
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,770,744	(4)	1,257,236	
Operating Transfers Out	(2,830,949)		(4,768,313)	(5)
TOTAL OTHER FINANCING SOURCES (USES):	(1,060,205)		(3,511,077)	
NET CHANGE IN FUND BALANCES	(1,266,679)	(6)	(3,240,935)	
FUND BALANCES – BEGINNING	4,605,361		5,318,604	
FUND BALANCES – ENDING	$ 3,338,682		$ 2,077,669	

(1) On March 23, 2009, the City Council approved a 2009 budget amendment to reduce projected 2009 sales taxes by $1,147,000 as a result of the economic recession. This included $895,000 of sales taxes generated within the City, a 12.6% decrease from the adopted budget and $252,000 of sales taxes collected county-wide for criminal justice purposes.

(2) On March 23, 2009, the City Council approved a 2009 budget amendment to reduce projected 2009 development revenue by $454,000 as a result of the economic recession. The amount included a reduction of $257,000 of permit revenue and $197,000 in charges for plan check fees and inspections. This represented a 33% reduction in originally budgeted development revenue.

(3) On March 23, 2009, the City Council approved a 2009 budget amendment that reduced General Fund expenditures by $681,000 from the original adopted budget. This represented a 2.1% reduction in the General Fund budget.

(4) On March 23, 2009, the City Council approved a 2009 budget amendment to reduce projected 2009 operating revenues by $1.7 million. To off-set the projected reduction revenues the City Council authorized $730,000 in reduced operating expenditures (General Fund and City Street Fund), elimination of $250,000 in budgeted contingency, and the use of $595,000 of the Revenue Stabilization Fund. The monies from the Revenue Stabilization Fund are reflected as an operating transfer-in to the General Fund. After this transfer the Revenue Stabilization Fund will have a balance of $5,530,000 or 19% of budgeted General Fund revenues.

(5) The 2008 budget included a one-time transfer of $2,166,000 from the General Fund to the City Hall project.

(6) The City's General Fund annual budget includes $805,000 of budget contingency that could be funded from beginning fund balance. The City has never used any of this contingency and it is unlikely that it would do so in 2009. Removing this amount from budgeted expenditures reduces the use of fund balance to $461,678 which represents budgeted one-time expenditures funded from prior year budget savings. Assuming that none of the budgeted contingency is used, the 2009 ending General Fund fund balance is projected to be $4,143,682

Source. City of Shoreline.

SCHEDULE OF LIMITED TAX GENERAL OBLIGATION BOND DEBT SERVICE
(The Bonds) [FORMAT TO BE DISCUSSED]

Date	Principal	Interest	Federal Credit	Total Debt Service
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				

CITY PROFILE

The City was incorporated in 1995 and operates as a Non-Charter Optional Code City with a Council-Manager form of government. The Council is comprised of seven members, elected at large by the citizens of Shoreline, each serving a four-year term. They are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The Council elects the Mayor and Deputy Mayor from the Council at large. The Mayor and Deputy Mayor serve in this capacity for a two year period. The City Council appoints the City Manager, who services as the City's chief executive officer. The City Manager appoints the Department Directors and the Directors work at the direction of the City Manager.

The City provides a full range of municipal services include police protection, parks and recreation facilities/activities, streets, planning, zoning and general administrative services. The City operates a stormwater utility systems. Currently, there are approximately 133 full-time employees of the City and 10 part-time regular employees, excluding seasonal and temporary workers.

Police Protection

To serve its community, the City of Shoreline has contracted with the King County Sheriff's Office (KCSO) since 1995 for its full-service police department. Officers work exclusively for Shoreline, wear city uniforms, and drive city-marked patrol cars. The chief of police for Shoreline oversees a staff of 47 commissioned officers, two administrative support staff, and a community service officer (who is non-commissioned). Shoreline also contracts for services from the KCSO's Criminal Investigations Division and Special Operations Section; these personnel do not work out of the precinct, but work closely with precinct staff. The police department operates a police station and two neighborhood centers.

Fire Protection

Fire protection and emergency medical services is provided by King County Fire District No. 4 which was originally formed in 1939 and later became Shoreline Fire Department. Shoreline Fire Department serves a population of 53,400 and covers an area of approximately 13-square miles. Shoreline Fire Department employs approximately 100 employees. The department provides 24-hour coverage for fire suppression, technical rescue, emergency medical and advanced life support, fire prevention and education, fire investigations, inspections, and code compliance to the population of the district. The Shoreline Fire Department as the first fire district in the State of Washington to obtain a rating of 3 from Insurances Services Organization and continues to maintain this rating.

Key Personnel

Cindy Ryu, Mayor: Ms. Ryu was elected to the Shoreline City Council in 2005 and elected as Mayor January 2008. She moved to Washington State in 1969. Mayor Ryu has a Bachelor of Science degree with honors in microbiology and immunology and an master of business administration from the University of Washington. She is a Board member of the Association of Washington Cities and served as President of Shoreline Chamber of Commerce, and on the Shoreline Bond Advisory Committee, Council of Neighborhoods and Richmond Beach Community Association Board. Mayor Ryu worked with her husband Cody for over 18 years in insurance sales and service.

Robert Olander, City Manager: Mr. Olander has been with the City for seven years. He served as the Deputy City Manager when hired in 2002, and was appointed as City Manager in March 2006. Mr. Olander has served in the City Manager profession for over 26 years and has been City Manager for three other Washington cities. He received his Master's of Public Administration degree from the University Washington in 1973 and his Bachelor of Arts degree in Political Science from the University of California, Santa Barbara in 1969. He is currently an active member of the International City Management Association. He has served as the President and on the Board of several professional organizations including the Washington City Management Association, Washington Cities Insurance Authority, and the Association of Washington Cities.

Debbie Tarry, Finance Director: Ms. Tarry has been the City's Finance Director for nine years. Ms. Tarry has previously served as the Finance Director for the City of Mill Creek, Washington and the Administrative Services Director for LINK Transit for Chelan and Douglas Counties, Washington. Ms. Tarry received her Bachelor of Arts in Business Administration with a concentration in Accounting from Pacific Lutheran University. Ms. Tarry is a Certified Public Accountant and is actively involved in several professional organizations. She has served as President of the Washington State Finance Officers Association and serves on the Loss Control and Investment Committees for the Washington Cities Insurance Authority.

Mark Relph, Public Works Director: Mr. Relph has been the Public Works Director for Shoreline since February, 2007. Prior to coming to Shoreline, Mr. Relph was with the City of Grand Junction, Colorado, for 16 years and served the last eight years as their Public Works & Utilities Director. Before that assignment he was the Public Works Manager. Prior to Grand Junction, he was the Engineering and Community Development Director for six years with the City of Delta, Colorado. Before moving over to the public sector in the early 1980s, he had gained considerable experience working as a project engineer mostly for local governments. While in the private sector he designed and constructed systems involving potable water, storm water, sanitary sewer, streets, bridges and other related improvements. He has Bachelor of Science in Civil Engineering from California State Polytechnic University, Pomona and a Masters in Public Administration from the University of Colorado at Denver. He is also a registered Professional Engineer in the State of Washington.

Labor Relations

The City does not have any bargaining units. The City's provisions for such matters as vacations, sick leave, medical and dental insurance, salaries, working conditions, and grievance procedures are contained within the personnel policies adopted by the City Council. The City's management considers its relations with employees to be excellent. In 2003 the City initiated its first employee organizational climate survey. The goal of the survey is for employees to provide feedback to management on their level of satisfaction regarding communication, teamwork, strategic planning and direction, and compensation. The City used the survey results and information learned from consulting State of Washington companies named by Fortune Magazine as among the 100 Best Places to Work in the United States to add improvements to the workplace. Management has committed to doing this survey on a regular biennial basis to monitor trends and identify areas that should be addressed to maintain good employee relations. The City will be initiating its fourth survey in June 2009.

In 2009 the City Manager appointed 16 employees to an Employee Advisory Committee to help management with future budget decisions as the City implements its long-term financial strategy.

Accounting and Budgeting Policies

The accounts of the City are organized by fund and account group, each of which is considered a separate accounting entity. Resources are allocated to and accounted for in individual funds accounting to the purposes for which they are spent and the means by which spending activities are controlled.

The City prepares budgets at the fund level in accordance with chapter 35A.33 RCW. The budget as adopted constitutes the legal authority for expenditures. Transfers within budgeted funds are allowed, but revisions which alter the total expenditures of a fund must be approved by ordinance of the City Council. Budgetary controls are maintained with interim reports to department managers and the City Manager. Formal quarterly financial reports are provided to the City Council during regular City Council meetings. Appropriations for general and special revenue funds lapse at year end.

Auditing of City Finances

Cities and counties of the State must comply with the Budgeting, Accounting, and Reporting System ("BARS") prescribed by the Office of the State Auditor as authorized under RCW 43.09.230 and 43.09.230. State laws also provide for annual independent audits by the Office of the State Auditor and require timely submission of annual financial reports to the State Auditor for review. The financial system of the City incorporates a system of financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports and consequently are designed to provide reasonable assurance that transactions are executed in accordance with management authorization, recorded in conformity with generally accepted accounting principles ("GAAP") applicable to governmental entities, that there exists accountability of and control over assets and obligations, and that sufficient reporting and review exists to provide adequate information for analysis and comparability of data. Internal control is an area of audit by the State Auditor, as well, and City management receives and takes action upon recommendations made by the State Auditor.

The City's financial statements are subject to annual audit by the State Auditor. The last audit covered the year ended December 31, 2007, and the report thereon contained an unqualified opinion regarding the

City's 2007 financial statements. Copies of the State Auditor's Report may be obtained by contacting the Office of State Auditor in Olympia, Washington, the City or on-line at www.sao.wa.gov.

Investment Practices

The City's Finance Director is delegated the responsibility for managing the City's investment program. The City maintains a cash and investment pool available for use by all funds. Investments are also held separately by several funds, with interest earned directly for the benefit of each fund. It is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting its daily cash flow demands. All investments shall conform to all Washington statutes governing the investment of public funds. A buy and hold strategy will generally be followed; that is, investments once made will usually be held until maturity. In order to reduce overall portfolio risk while attaining benchmark average rate of return, the City will diversify its investments by security type, issuing institution, and terms of maturity. The diversification concept in a cash management fund thus includes prohibition against over concentration in a specific maturity sector as well as restricting the reliance on specific risk instruments and issuers. The City's investment portfolio is designed to obtain a market average rate of return in budgetary and economic cycles, taking into account the City's investment risk constraints, investment objectives and cash flow needs. Investment reports are incorporated within routinely scheduled quarterly financial reports submitted to management and City Council that provide a clear picture of the status of the current investment portfolio.

The City's investment policies have been certified by the Municipal Treasurer's Association of the United States and Canada.

Risk Management

The City is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. To date WCIA has a total of 129 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $3 million per occurrence self insured layer, and $11 million per occurrence in the re-insured excess layer with no annual aggregate except $10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are $14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to $500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

Pension System

All permanent City employees, including part time employees who work 70 hours per month during five consecutive months, must participate in one of the following statewide local government retirement systems administered by the State Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems.

Public Employees' Retirement System ("PERS"). Substantially all of the City's full-time and qualifying part-time employees participate in PERS. This is a statewide local government retirement system administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer defined benefit public employee retirement plans. The PERS system includes three plans.

Participants who joined the system by September 30, 1977, are PERS Plan I members. Those joining thereafter are enrolled in PERS Plan II. A third plan, entitled PERS Plan III, provides members with a defined benefit plan similar to PERS Plan II and the opportunity to invest their retirement contributions in a defined contribution plan.

PERS Plan I members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation earned during any 24 eligible consecutive compensation months.

PERS Plan II members may retire at age 65 with five years of service or at 55 with 20 years of service. The annual pension is two percent of the average final compensation per year of service. PERS Plan II retirements prior to 65 are actuarially reduced. On July 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the Consumer Price Index ("CPI") of Seattle, capped at three percent annually.

PERS Plan III is structured as a dual benefit program that will provide members with the following benefits: (i) a defined benefit allowance similar to PERS Plan II calculated as one percent of the average final compensation per year of service (versus a two percent formula) and funded entirely by employer contributions; and (ii) a defined contribution account consisting of member contributions plus the full investment return on those contributions.

Each biennium, the State Pension Funding Council adopts PERS Plan I employer contribution rates and PERS Plan II employer and employee contribution rates. Employee contribution rates for PERS Plan I are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for PERS Plan II are set by the director of the Department of Retirement Systems, based on recommendations by the Office of the State Actuary, to continue to fully fund PERS Plan II. Unlike PERS Plan II, which has a single contribution rate, with PERS Plan III, the employee chooses how much to contribute from one to six contribution rate options. Once an option has been selected, the contribution rate choice is irrevocable unless the employee changes employers.

All employers are required to contribute at the level established by State law. The methods used to determine the contribution requirements are established under State statute in accordance with Chapters 41.40 and 41.26 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of July 1, 2009, will be as follows:

	PERS PLAN I	PERS PLAN 2	PERS PLAN 3
Employer*	5.29%	5.29%	5.29%**
Employee	6.00%	3.56%	***

* The employer rates include the employer administrative expense fee currently set at 0.19%.
** Plan 3 defined benefit portion only.
*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

	PERS Plan I	PERS Plan II	PERS Plan III
2008	$94,373	$796,473	$228,988
2007	79,648	624,881	157,200
2006	57,596	430,840	94,066

According to information provided by the Office of the State Actuary, based upon revised demographic and economic assumptions, the total unfunded actuarial accrued liability of Plan I of the PERS System currently is $3.99 billion, of which the State share is $1.596 billion and the local government share is $2.394 billion. In 2005 and 2006, the State Legislature enacted and authorized the State Pension Funding Council to adopt changes in contribution rates to PERS intended to amortize the PERS I unfunded actuarial liability by 2024. According to information provided by the Office of the State Actuary, Plan II and III of PERS currently have no unfunded actuarial accrued liability. Shown below are historical employer contribution rates for Plan I, II and III of PERS. The contribution rates effective July 1, 2008 and July 1, 2009, include a component of 2.70 percent and 1.13 percent, respectively, dedicated to amortizing the local government share of the PERS I unfunded actuarial liability, and a component of 0.16 percent for administrative expenses. These rates are subject to change by future legislation enacted by the State Legislature to address future changes in actuarial and economic assumptions.

Shown below are the current and future contribution rates for the PERS as provided by the Office of State Actuary based on the 2007 Actuarial Valuation. They reflect current plan provisions. Contribution rates could also change pursuant to options that could be approved by the Legislature.

	PERS Employer Contribution Rates				
	Effective 7-1-09	Effective 9-1-09	Effective 7-1-11	Effective 7-1-12	Effective 7-1-13
Normal Rate	4.00%	4.01%	4.54%	4.54%	5.93%
PERS 1 Unfunded Liability	1.13	1.16	3.78	4.53	5.28
DRS Administrative Expense Rate	0.16	0.16	0.16	0.16	0.16
Total PERS Employer Rate	5.29%	5.33%	8.48%	9.23%	11.37%

Source: State of Washington, Office of the State Actuary as of May 29, 2009.

Historical trend information is presented in Washington State's Department of Retirement Systems' annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Point Plaza West
1025 East Union Street
P.O. Box 48380
Olympia, WA 98504-8380
Internet Address: www.drs.wa.gov

Local Governments Pension Trust Funds

The City has established a Money Purchase Retirement Plan and Trust administered by International City Managers Association (ICMA) under Internal Revenue Code section 401(a). This is a defined contribution plan, which was established effective April 1996, in lieu of participation by the City in the social security system. Nationwide Retirement Solutions assets were converted to ICMA on December 16, 2004.

Under this plan employees contribute 6.2%. The City contributes 6.2% into the employee account. Participation in this plan is mandatory. Employee contributions for retirement benefits are always 100% vested. Employer contributions are 100% vested immediately.

Each employee may direct his/her investment among various investment options. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age.

The City also established a Money Purchase Retirement Plan and Trust in 1997 with the ICMA Retirement Corporation, as an alternative to the Washington State Public Employees Retirement System Plan II. The only employee eligible to participate in this plan is the City Manager.

As of December 31, 2008, the assets in the ICMA plans were valued at $4,448,802.

Other Post Employment Benefits

The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust ("Trust"), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities ("AWC"). The Trust provides medical benefits to certain eligible retired employees of the Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statement and required supplementary information for Trust. That report, along with a copy of the Trust document, may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

The Employee Benefit Trust qualifies as a Cost-Sharing Multiple-Employer Plan under GASB 43 and 45. The required disclosure relating to such plan is set forth in the disclosure prepared by the Trust.

Funding Policy. The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees, and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute $644.35 per month for non-Medicare enrolled retiree-only coverage, $1,288.70 for non-Medicare enrolled retiree and spouse coverage, $987.25 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and $658.80 for Medicare-enrolled retiree and spouse coverage.

Participating Employers are contractually required to contribute at a rate assessed each year by the Trust, currently 9.9 percent of annual covered payroll. The City's contributions to the Trust for the year ended December 31, 2008 were $913,117, which equaled the required contributions of that year.

GENERAL AND ECONOMIC INFORMATION

General

The City of Shoreline is located in the northwestern corner of King County along the shores of Puget Sound. Shoreline is generally bounded by the City of Lake Forest Park to the east, the City of Seattle to the south, Puget Sound to the west, and Snohomish County to the north (including the nearby Cities of Mountlake Terrace and Edmonds, and Town of Woodway). The City of Shoreline has 3.4 miles of Puget Sound shoreline that extends the length of the western edge of the City.

Two of the region's three major, north-south highways run through Shoreline. The Aurora Corridor, or State Highway 99, is the primary non-freeway transportation corridor in the City of Shoreline. Interstate 5 (I-5), which also passes through and has three exits in Shoreline, is a federal highway that extends from Canada to Mexico. The City has multiple arterials that connect the areas of the City both east and west of Highway 99 and the Interstate.

Economic Indicators

Following are selected economic indicators for the City and King County.

POPULATION

Year	Shoreline	King County
2008	53,440	1,884,200
2007	53,190	1,861,300
2006	52,830	1,835,300
2005	52,500	1,808,300
2004	52,740	1,788,300
2003	52,730	1,779,300
2002	53,250	1,774,300

Sources: Washington State Office of Financial Management.

TAXABLE RETAIL SALES

	Shoreline	King County
2008	$755,815,713	$45,711,920,389
2007	761,015,623	47,766,338,768
2006	695,326,665	43,993,478,514
2005	683,984,582	39,951,928,499
2004	652,182,857	36,848,012,362
2003	612,033,356	34,987,570,932
2002	579,138,960	34,791,128,291

Source: Washington State Department of Revenue.

SALES AND USE TAX DISTRIBUTIONS

	Shoreline	King County(1)
2008	$7,858,919	$572,917,271
2007	7,870,469	557,863,928
2006	7,263,862	507,664,953
2005	7,128,926	467,119,827
2004	6,779,441	431,532,653
2003	6,379,779	435,873,507
2002	6,143,372	433,248,248

(1) Unincorporated and Incorporated King County.

Source: Washington State Department of Revenue.

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CITY OF SHORELINE BUILDING PERMITS ISSUED (RESIDENTIAL AND COMMERCIAL)

Residential

	New Residential		Add/Remodel Residential	
	Number	Valuation	Number	Valuation
2009(1)	7	$ 1,375,937	48	$ 2,531,704
2008	40	17,513,198	160	7,154,664
2007	73	20,148,056	201	8,199,607
2006	60	17,523,561	198	9,077,307
2005	64	18,632,605	190	9,106,623
2004	57	7,990,568	179	6,502,577

Multi-Family

	New Multi-Family		Add/Remodel Multi-Family	
	Number	Valuation	Number	Valuation
2009(1)	2	$ 760,274	3	$ 632,500
2008	0	0	4	383,000
2007	9	40,602,076	10	387,000
2006	20	11,284,286	3	112,294
2005	19	14,646,526	16	372,975
2004	7	8,343,302	2	98,600

Commercial

	New Commercial		Add/Remodel Commercial	
	Number	Valuation	Number	Valuation
2009(1)	4	$ 478,006	19	$13,456,077
2008	17	8,688,517	30	10,290,322
2007	9	11,615,850	62	5,605,906
2006	11	15,394,780	34	2,878,823
2005	12	19,499,583	63	11,662,368
2004	9	12,831,853	54	4,019,805

(1) Through May, 2009.

Note: In 2007 three New Mixed Use permits were issued with a valuation of $17,299,407.

Source: City of Shoreline.

CITY OF SHORELINE HOUSING UNITS BY TYPE(1)

	Total	1 Unit	2+ Units	MH/Spec
2008	21,930	16,004	5,802	124
2007	21,801	16,021	5,656	124
2006	21,656	15,975	5,527	154
2005	21,707	15,969	5,499	239
2004	21,641	15,941	5,454	246
2003	21,544	15,896	5,414	234
2002	21,441	15,848	5,397	196

(1) Housing data are mostly estimated with some special city censuses.

Source: Washington State Office of Financial Management.

SHORELINE AREA MAJOR EMPLOYERS

Business Name	Description	Number of Full-Time Equivalents
Shoreline School District No. 412	Schools K-12	1,293
Washington State Department of Transportation	State Transportation Services	881
Shoreline Community College	Community College	678
State of Washington – Fircrest School	Residential facility for developmentally disabled	633
Crista Ministries, Inc.	Private School/Religious Activity/Retirement Home	712
King County – Metro Transit	Public Transit Services	452
Costco Wholesale	Retail & Wholesale	369
Drift-on-Inn Roadhouse	Casino & Restaurant	244
Northwest Security Guards	Private Security Guards	243
Fred Meyer	Retail & Grocery	192
The Home Depot	Retail/Home Improvement	177
Shoreline Central Market	Grocery	159
Richmond Beach Rehabilitation Center	Nursing Care Facilities	148
Goldies Shoreline Casino	Casino & Restaurant	146

Source: Puget Sound Regional Council.

PUGET SOUND
MAJOR EMPLOYERS

Employer	Full-Time Employees(1)
The Boeing Company	68,570(2)
Microsoft	30,300
University of Washington	24,400
Providence Health	14,800
King County Government	12,700
City of Seattle	9,800
Costco	7,400
Weyerhaeuser	7,000
Group Health Cooperative	5,700
Nordstrom Inc.	5,400
Quality Food Centers	5,400
Seattle School District	5,100
Safeway	4,700
AT&T	4,700

(1) Does not include part-time or seasonal employment figures.
(2) From entity.

Source: Puget Sound Business Journal, Book of Lists, 2008.

ASSESSED VALUATION

Year	City of Shoreline	King County
2009	$8,023,085,077	$386,889,727,909
2008	7,293,134,085	340,995,439,577
2007	6,591,074,508	298,755,199,059
2006	6,036,457,123	270,571,089,668
2005	5,579,304,408	248,911,782,339
2004	5,336,019,568	235,834,254,423
2003	4,944,692,284	224,994,598,210
2002	4,594,680,973	210,996,600,903

Source: King County Assessor's Office.

MEDIAN HOUSEHOLD INCOME[1]

Year	King County	State of Washington
2008[2]	$68,832	$60,010
2007[2]	68,152	59,119
2006	65,845	56,184
2005	63,205	54,085
2004	63,920	53,890
2003	58,721	50,846
2002	58,028	50,003

(1) In current dollars. The estimation relies on 2000 census data. These estimates are based on past relationships between available indicator data and median household income. The estimates shown may differ from other median household income data developed from the Office of Financial Management's State Population Survey, Bureau of the Census estimates, or other sources. Survey data, which are subject to sampling variability and errors, are not necessarily more correct than the estimate data.

(2) Preliminary estimates for 2007 are based on the payroll data compiled by the state Employment Security Department and the state personal income data published by BEA. Projection for the year 2008 is based on the Revenue Forecast Council's September 2008 forecast of the state personal income.

Source: Washington State Office of Financial Management.

KING COUNTY
NONAGRICULTURAL WAGE & SALARY WORKERS AND LABOR FORCE AND EMPLOYMENT DATA

	Annual Average				
	2008	2007	2006	2005	2004
Civilian Labor Force	1,085,980	1,070,870	1,047,740	1,012,940	995,930
Total Employment	1,040,980	1,031,700	1,005,240	965,940	944,730
Total Unemployment	45,970	39,170	42,500	47,000	51,200
Percent of Labor Force	4.1	3.7	4.1	4.6	5.1
NAICS INDUSTRY	2008	2007	2006	2005	2004
Total Nonfarm	1,216,450	1,200,233	1,176,683	1,143,675	1,119,167
Total Private	1,051,048	1,036,983	1,014,800	982,475	957,008
Goods Producing	186,448	188,433	183,108	170,850	163,667
Natural Resources and Mining	578	650	658	658	825
Construction	74,514	74,733	70,075	62,808	58,992
Manufacturing	111,348	113,058	112,367	106,900	103,392
Services Providing	1,030,003	1,011,800	993,583	973,300	955,950
Trade, Transportation, and Utilities	224,861	224,233	224,283	222,858	222,700
Financial Activities	76,916	76,992	77,567	76,467	77,242
Professional and Business Services	194,422	190,417	182,233	173,225	163,708
Educational and Health Services	133,516	127,758	124,717	122,750	118,142
Leisure and Hospitality	113,700	111,717	108,575	106,092	103,783
Other Services	42,621	41,692	41,808	41,392	40,533
Government	165,394	163,258	161,892	161,208	162,150
Workers in Labor/Management Disputes	958	0	8	850	83

Source: Washington State Employment Security Department, Labor Market and Economic Analysis Branch.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation and modify existing legislation through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiatives) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

TAX MATTERS

Series 2009A Bonds

Exclusion from Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Series 2009A Bonds, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes.

Continuing Requirements. The City is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Series 2009A Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Series 2009A Bond proceeds and the facilities financed or refinanced with Series 2009A Bond proceeds, limitations on investing gross proceeds of the Series 2009A Bonds in higher yielding investments in certain circumstances and the requirement to comply with arbitrage rebate requirements to the extent applicable to the Series 2009A Bonds. The City has covenanted in the Bond Ordinance to comply with those requirements, but if the City fails to comply with those requirements, interest on the Series 2009A Bonds could become taxable retroactive to the date of issuance of the Series 2009A Bonds. Bond Counsel has not undertaken and does not undertake to monitor the City's compliance with such requirements.

Alternative Minimum Tax. Under existing federal law, interest on the Series 2009A Bonds received by individuals and corporations is not treated as an item of tax preference for purposes of the federal alternative minimum tax, and interest on the Series 2009A Bonds received by corporations is not taken into account in determining adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

Tax on Certain Passive Investment Income of S Corporations. Under section 1375 of the Code, certain excess net passive investment income, including interest on the Series 2009A Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Series 2009A Bonds may be subject to the foreign branch profits tax imposed by section 884 of the Code when the Series 2009A Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Series 2009A Bonds, are in compliance with requirements of the Code that must be satisfied in order for the interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2009A Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Series 2009A Bonds could adversely affect the market value and liquidity of the Series 2009A Bonds until the audit is concluded, regardless of its ultimate outcome.

Certain Other Federal Tax Consequences

Series 2009A Bonds Are "Qualified Tax-Exempt Obligations" for Financial Institutions. Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than $30,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax exempt obligations," only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The City is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing less than $30,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year and has designated the Series 2009A Bonds as "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Code. Therefore, only 20% of the interest expense deduction of a financial institution allocable to the Series 2009A Bonds will be disallowed for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property & Casualty Insurance Companies. Under section 832 of the Code, interest on the Series 2009A Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipt or accruals of interest on the Series 2009A Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Series 2009A Bonds may have other federal tax consequences as to which prospective purchasers of the Series 2009A Bonds may wish to consult their own tax advisors.

Series 2009B Bonds

This advice was written to support the promotion or marketing of the Series 2009B Bonds. This advice is not intended or written by Foster Pepper PLLC to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the Series 2009B Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion generally describes certain aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners ("Owners") of Series 2009B Bonds who have purchased Series 2009B Bonds in the initial offering and who hold the Series 2009B Bonds as capital assets within the meaning of section 1221 of the Code. For purposes of this discussion, a "U.S. person" means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect). This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances, such as an Owner who may purchase Series 2009B Bonds in the secondary market, or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, non-U.S. persons, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, or dealers in securities. **Accordingly, before deciding whether to purchase any Series 2009B Bonds, prospective purchasers should consult their own tax advisors regarding the United States federal income tax consequences, as well as tax consequences under the laws of any state, local or foreign taxing jurisdiction or under any applicable tax treaty, of purchasing, holding, owing and disposing of the Series 2009B Bonds.**

In General. As described herein under the heading "THE BONDS—Designation of the Series 2009B Bonds as 'Build America Bonds,'" the City has made irrevocable elections to have the Series 2009B Bonds treated as "Build America Bonds" within the meaning of section 54AA(d) of the of the Code that are "qualified bonds" within the meaning of section 54AA(g) of the Code. As a result of these elections, interest on the Series 2009B Bonds is not excludable from the gross income of the Owners for federal income tax purposes, and Owners of the Series 2009B Bonds will not be allowed any federal tax credits as a result of ownership of or receipt of interest payments on the Series 2009B Bonds.

Payments of Interest. Interest paid on the Series 2009B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest payment; Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Disposition or Retirement. Upon the sale, exchange or other disposition of a Series 2009B Bond, or upon the retirement of a Series 2009B Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (excluding any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in the Series 2009B Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. If the City defeases any Series 2009B Bonds, such Series 2009B Bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a Series 2009B Bond would recognize a gain or loss on the Series 2009B Bond at the time of defeasance.

Backup Withholding. An Owner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest [or original issue discount] on the Bonds. This withholding generally applies if the Owner of a Bond (a) fails to furnish the Bond Registrar or other payor with its taxpayer identification number; (b) furnishes the Bond Registrar or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Bond Registrar or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the Owner is not subject to backup withholding. Any amount withheld may be creditable against the Owner's U.S. federal income tax liability and be refundable to the extent it exceeds the Owner's U.S. federal income tax liability.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2009B Bonds will be reported to the Owners and to the Internal Revenue Service.

TAX COVENANTS

The City covenants, by the Bond Ordinance, that it will take all actions necessary to prevent interest on the Series 2009A Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Series 2009A Bonds or other funds of the City treated as proceeds of the Series 2009A Bonds at any time during the term of the Series 2009A Bonds which will cause interest on the Series 2009A Bonds to be included in gross income for federal income tax purposes.

The City also covenants, by the Bond Ordinance, that it will not take or permit to be taken on its behalf any action that would adversely affect the entitlement of the City to receive from the United States Treasury the applicable federal credit payments in respect of the Series 2009B Bonds. Without limiting the generality of the foregoing, the City will comply with the provisions of the Code compliance with which would result in the interest on the Series 2009B Bonds being excluded from gross income for federal tax purposes but for the City's irrevocable election to have section 54AA of the Code apply to the Series 2009B Bonds.

CONTINUING DISCLOSURE

Basic Undertaking to Provide Annual Financial Information and Notice of Material Events

To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the City will undertake (the "Undertaking") for the benefit of holders of the Bonds to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board ("MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB: (a) annual financial information and operating data of the type included in this Official Statement as generally described below ("annual financial information") and (b) to the MSRB timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2009A Bonds; (vii) modifications to rights of holders of the Bonds; (viii) Bond calls (other than scheduled mandatory redemption of Term Bonds); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes. The City will also provide to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to be Provided

The annual financial information that the City undertakes to provide will consist of: (1) the City's annual financial statements prepared (except as noted in the financial statements) in accordance with generally accepted accounting principles applicable to Washington State local governmental units, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (2) authorized, issued and outstanding balance of general obligation bonds; (3) assessed valuation of property within the City for the fiscal year; and (4) regular property tax levy rate and rate limit for the fiscal year. The annual financial information that the City undertakes to provide will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ending December 31, 2009.

The annual financial information may be provided in a single or multiple documents and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

Amendment of Undertaking

The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by the Rule.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the notice also will include a narrative explanation of the effect of that change in the type of information to be provided.

Termination of Undertaking

The City's obligations under the Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under the Undertaking shall terminate if those provisions of the Rule which require the City to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with Undertaking

If the City or any other obligated person fails to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City learns of that failure. No failure by the City or other obligated person to comply with the Undertaking will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

Prior Compliance

The City is in compliance with its previous undertakings to provide continuing disclosure under the Rule.

BOND RATING

The City has received a rating of "AA+" on the Bonds from Standard & Poor's Corporation ("S&P"). A municipal bond rating reflects a rating agency's current assessment of a number of factors relating to the issuer of any debt, including the likelihood of repayment of such debt, the perceived quality of management and administration of the entity, the nature and relative health of the local economy in which the issuer exists and the overall financial condition and operational controls which exist for the issuer. The existence of a bond rating does not imply a recommendation by a rating agency to purchase, sell or hold any such security, inasmuch as it does not take into account a number of subjective variables, including the market price of any such security or suitability of such security for any particular investor.

A credit rating is based on current information furnished by the issuer or obtained by a rating agency from sources which it considers to be reliable. S&P does not perform an audit in connection with any credit rating it may assign and may, on occasion, rely on unaudited financial information. A bond rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or for other circumstances. Any such downward revision, suspension or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING AND LEGAL

Underwriting

The Bonds are to be purchased by Piper Jaffray & Co. ("Piper"), serving as Underwriter. The purchase contract for the Bonds provides that Piper will purchase all of the Bonds, if any are purchased, at a price of ________% of the par value of the Bonds. The Bonds will be reoffered at a price of ________% plus accrued interest, resulting in an underwriting spread of $_____ per $1,000 of principal. After the initial public offering, the public offering prices may be varied from time to time.

Piper has entered into an agreement (the "Distribution Agreement" with Advisors Asset Management, Inc. ("AAM"), for the distribution of certain municipal securities offerings alloated to Piper at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, Piper will share with AAM a portion of the fee or commission, exclusive of management fees, paid to Piper.

Litigation

At the time of delivery of and payment for the Bonds, the City will deliver a certificate stating that there is no litigation then pending or to the best of its knowledge threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, application of the proceeds of the Bonds as contemplated by the Bond Ordinance, or in any way contesting or affecting the validity of the Bonds or the power and authority of the City to issue the Bonds.

Legal Opinion/Approval of Bond Counsel

Legal matters incident to the authorization, issuance and sale of Bonds by the City are subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix B. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of Bonds.

Conflicts of Interest

Some or all of the fees of the Underwriter and Bond Counsel are contingent upon the issuance and sale of the Bonds. Furthermore, Bond Counsel from time to time serves as counsel to the Underwriter with respect to issues other than the City and transactions other than the issuance of the Bonds. None of the councilmembers or other officers of the City have interests in the issuance of the Bonds that are prohibited by applicable law.

Financial Advisor

Steve Gaidos Consulting, LLC of Issaquah, Washington (the "Financial Advisor"), has served as financial advisor to the City relative to the preparation of the Bonds for sale, timing of the sale and other factors relating to the Bonds. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the Bonds. The Financial Advisor makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The Financial Advisor is an independent financial advisor and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities. The City is not aware of the existence of any actual or potential conflict of interests, breach of duty or less than arm's-length transaction regarding the selection of the Underwriter, any payments to obtain underwriting assignments or any undisclosed agreements or arrangements between the Financial Advisor and the Underwriter.

CONCLUDING STATEMENT

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City or the Underwriter. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information contained herein should not be construed as representing all conditions affecting the City or the Bonds. Additional information may be obtained directly from the City or the Underwriter.

The foregoing statements relating to the Bond Ordinance and other documents are in all respects subject to and qualified in their entirety by provisions of such documents.

This Official Statement, starting with the cover page and all subsequent pages, including any appendices, comprise the entire Official Statement, which has been approved by the City. The City has represented to the Underwriter that the portions of this Official Statement directly pertaining to the City neither contain any misrepresentation of material fact nor omit any material fact necessary to understand the financial, economic or legal nature of the City or any information presented herein.

City of Shoreline, Washington

By: ______________________________

City Manager

50996471.5

APPENDIX A

FORM OF LEGAL OPINION

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FOSTER PEPPER PLLC

[FORM OF APPROVING LEGAL OPINION]

City of Shoreline, Washington

Re: City of Shoreline, Washington
$__________ Limited Tax General Obligation Bonds, Series 2009A
and
$__________ Limited Tax General Obligation Bonds, Series 2009B
(Taxable Build America Bonds – Direct Payment)

We have served as bond counsel to the City of Shoreline, Washington (the "City"), in connection with the issuance of the above-referenced bonds (the "Series 2009A Bonds," the "Series 2009B Bonds" and, collectively, the "Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are issued by the City pursuant to Ordinance No. ______ (the "Bond Ordinance") for general City purposes to pay costs of pre-paying a lease to carry out the acquisition of a new City Hall and related parking structure and to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Ordinance.

For as long as any of the Bonds are outstanding, the City irrevocably has pledged to include in its budget and to levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds, and the full faith, credit and resources of the City have been pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Reference is made to the Bonds and the Bond Ordinance for the definitions of capitalized terms used and not otherwise defined herein.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the City is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Series 2009A Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Series 2009A Bond proceeds and the facilities financed or refinanced with Series 2009A Bond proceeds, limitations on investing gross proceeds of the Series 2009A Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Series 2009A Bonds. The City has covenanted in the Bond Ordinance to comply with those requirements, but if the City fails to comply with those requirements, interest on the Series 2009A Bonds could become taxable retroactive to the date of issuance of the Series 2009A Bonds. We have not undertaken and do not undertake to monitor the City's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The City is a duly organized and legally existing code city under the laws of the State of Washington;

2. The Bonds have been duly authorized and executed by the City and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the ordinances of the City relating thereto;

3. The Bonds constitute valid and binding general obligations of the City payable from annual *ad valorem* taxes to be levied without limitation as to rate or amount on all of the taxable property within the City, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases; and

4. Assuming compliance by the City after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes and is not subject to the alternative minimum tax; however, interest on the Series 2009A Bonds received by certain S corporations may be subject to tax, and interest on the Series 2009A Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Series 2009A Bonds.

5. Interest on the Series 2009B Bonds is not includable in gross income for federal tax purposes.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX B

BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The City makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined).

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be

the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Bond Registrar, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX C

[Attach City's latest audited financials]

Attachment C

STANDARD
&POOR'S

RATINGSDIRECT®

July 10, 2009

Summary:
Shoreline, Washington; General Obligation

Primary Credit Analyst:
Le T Quach, San Francisco (1) 415- 371-5013; le_quach@standardandpoors.com

Secondary Credit Analyst:
Chris Morgan, San Francisco (1) 415-371-5032; chris_morgan@standardandpoors.com

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Outlook

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Summary:

Shoreline, Washington; General Obligation

Credit Profile		
US$22.365 mil Lmtd Tax GO bnds ser 2009 due 12/01/2039		
Long Term Rating	AA+/Stable	New
Shoreline GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Rating Services assigned its 'AA+' long-term rating, and stable outlook, to Shoreline, Wash.'s series 2009 limited tax general obligation (GO) bonds. At the same time, Standard & Poor's affirmed its 'AA+' underlying rating (SPUR) on the city's outstanding GO bonds. The bonds are secured by ad valorem taxes levied on city taxable property, subject to constitutional and statutory tax limitations. The full faith, credit, and resources of the city have been irrevocably pledged for the annual levy and collection of such taxes and the payment of debt service.

The ratings reflect our view of the city's:

- Strong wealth and income indicators, supported by its participation in the diverse Puget Sound economy;
- Very strong general fund financial position, with additional reserves available in its revenue stabilization fund;
- Strong financial management policies, with a written policy to maintain multiple reserves for cash flow needs and budget contingencies; and
- Moderate overall debt levels on a per capita basis.

Bond proceeds will be used to pay the costs of prepaying a lease to carry out the acquisition of a new city hall and parking structure.

Shoreline (population 53,440) is an established residential community located north of Seattle in northwestern King County. The city's population has been stable in recent years, with home price appreciation driving assessed value (AV) growth. The city's AV has grown at an average annual rate of 8.6% since fiscal 2003 to $8.0 billion for fiscal 2009. Management reports that it is projecting a 15% decline in AV for fiscal 2010, mainly due to falling home values. We understand the city will adjust its regular tax levy to reflect this decline, and we believe the city has sufficient capacity as its 2009 regular levy rate is $0.94703 per $1,000 of AV compared to the constitutional limit of $3.60 per $1,000 of AV.

The city fully participates in the diverse Puget Sound economy, and income indicators for the city are what we consider strong, with median household effective buying income (EBI) and per capita EBI measuring 117% and 112% of the U.S., respectively, in 2008. Leading private employers in the Puget Sound include Boeing, Microsoft, and Costco. Shoreline's unemployment rates have historically tracked at or below national averages, and the city's jobless rate stood at 6.4% in April 2009. The city's per capita market value, an indicator of area wealth, is in our opinion extremely strong at $188,362.

We believe the city has maintained very strong finances with healthy reserve levels. General fund drawdowns in recent years have been largely attributed to transfers out for capital and road improvements. Based on the city's unaudited results for calendar year 2008, it will finish with a $713,000 general fund deficit, and a $4.5 million unreserved general fund balance, equal to in our opinion a very strong 15% of expenditures and transfers out. The city also maintains a revenue stabilization reserve (sized at 30% of economically sensitive operating revenues) outside of its general fund. The balance of this reserve totaled $6.1 million at calendar year-end 2008 (unaudited), which boosts the city's total available reserves to $10.6 million, or 34% of general fund expenditures.

Due to softening sales tax revenues, which account for 32% of fiscal 2008 general fund revenues, the city has cut about $1 million from its operating budget through the elimination of certain seasonal and temporary positions, reductions in travel and training, and restricting discretionary expenditures. Management reports that it expects to finish 2009 with basically balanced general fund operations and a 13% of expenditure unreserved general fund balance. We understand the city will also utilize approximately $595,000 from its revenue stabilization fund, and it expects a $5.5 million revenue stabilization fund balance at the end of calendar year 2009.

State law limits the city's regular levy rate growth to 1% from year to year, excluding new construction. This limitation has effectively reduced the city's general fund property tax rate based on the growth of its tax base. To offset this property tax rate limitation, we understand the city is seeking voter approval for a six-year "levy lid lift" in 2010, which allows the city to levy a greater amount than would otherwise be allowed under the levy lid. Property taxes make up about 30% of fiscal 2008 general fund revenues.

Shoreline's management practices are considered "strong" under Standard & Poor's Financial Management Assessment (FMA). Under our framework, an FMA of "strong" indicates that practices are strong, well embedded, and likely sustainable. Highlights include a detailed analysis of expenditure and revenue trends at least quarterly, including the use of a third-party economic forecaster to build its annual budget and six-year operating forecasts. These forecasts are also tied to the city's six-year capital plan. The city adopted a formal reserve policy in 2007 to maintain insurance, budget contingency, and cash flow reserves within its general fund as well as an outside revenue stabilization fund.

We consider the city's overall net debt burden to be moderate at $3,410 per capita or a low 2.3% of AV. Debt service as a percent of total governmental expenditures excluding capital outlay is, in our opinion, low at 5.5% for 2008. Management reports that the city has no plans for additional debt.

Outlook

The stable outlook reflects our view the city has built up a very strong financial position, with various formal policies to support maintenance of these reserves going forward. The outlook also reflects the city's track record of regular budget amendments and reductions to account for declining key general fund revenues. The city's participation in the larger Puget Sound economy provides additional rating stability.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.