DEBT MANAGEMENT PROGRAM

OUTSTANDING DEBT

As of June 30, 1998, the City of Salisbury will have $25,202,614 in outstanding debt for all funds. The type of debt and the breakdown between funds are shown below:

General Fund:	
General obligation bonds	$ 3,625,000
Capital leases	1,629,583
	$ 5,254,583
Water and Sewer Fund:	
General obligation bonds	$17,985,000
Revenue bonds	2,040,000
State clean water revolving loan	5,177,614
Total	$25,202,614

General Fund

The City has lease agreements to finance the acquisition of various equipment. These agreements qualified as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, were recorded at the present value of the future minimum lease payments as of the date of their inception. These lease agreements are outlined as follows:

> Lease of telecommunications equipment from BB&T Leasing Corporation, dated March 11, 1996, payable in eight semi-annual installments of $54,438.21 at an effective annual interest rate of 3.93%.
>
> Lease for capital improvements and acquisition of facilities from Wachovia Bank of North Carolina, dated December 1, 1996, payable in fourteen semi-annual installments of $149,222.75 at an effective annual interest rate of 4.91%.

The equipment acquired by telecommunications lease has been recorded as a fixed asset at a value totaling $398,271. The facilities funded by Wachovia Bank of North Carolina are currently under construction and will be recorded at their construction cost upon completion.

In January 1992, the City issued $250,000 general obligation bonds. Seventy-five thousand dollars of the bonds were for improvements of parks and recreation, while the balance of $175,000 was designated for sidewalk and parking facilities. These bonds were issued at an average rate of 6.0982%, maturing serially to 2002.

The City issued $373,000 general obligation bonds in November 1993. These bonds were designated for improvements to downtown parking facilities in the amount of $273,000, while the balance of $100,000 was for construction of recreation facilities. These bonds were issued at an average interest rate of 4.846%, maturing serially to 2004.

In November 1995, the City issued $355,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 5.2756%, maturing serially to 2006.

In December 1997, the City issued $3,000,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 4.79%, maturing serially to 2017.
Future maturities and interest on General Fund long-term debt are:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Capital Lease Principal	Capital Lease Interest	Total Principal	Total Interest
1999	$ 200,000	$ 176,140	$ 333,126	$ 74,196	$ 533,126	$ 250,336
2000	200,000	166,157	347,359	59,963	547,359	226,120
2001	200,000	156,125	254,936	43,509	454,936	199,634
2002	200,000	146,093	267,607	30,838	467,607	176,931
2003	180,000	136,020	280,908	17,537	460,908	153,557
2004	180,000	127,210	145,647	3,576	325,647	130,786
2005	200,000	118,400	-	-	200,000	118,400
2006	190,000	108,650	-	-	190,000	108,650
2007	200,000	99,550	-	-	200,000	99,550
2008	200,000	90,050	-	-	200,000	90,050
2009	200,000	80,550	-	-	200,000	80,550
2010	200,000	70,950	-	-	200,000	70,950
2011	200,000	61,350	-	-	200,000	61,350
2012	200,000	51,750	-	-	200,000	51,750
2013	200,000	42,150	-	-	200,000	42,150
2014	200,000	32,550	-	-	200,000	32,550
2015	200,000	22,950	-	-	200,000	22,950
2016	200,000	13,350	-	-	200,000	13,350
2017	75,000	3,750	-	-	75,000	3,750
Totals	$ 3,625,000	$ 1,703,745	$ 1,629,583	$ 229,619	$ 5,254,583	$ 1,933,364

Water and Sewer Fund

Long-term debt of the Water and Sewer Fund include the following general obligation and revenue bond issues:

	Balance June 30, 1998
Sanitary Sewer Series 1989, average rate of 6.5245%, issued July 1989, maturing serially to 2008	$ 975,000
Sanitary Sewer Series 1992, average rate of 6.0982%, issued January 1992, maturing serially to 2011	800,000
Refunding Series 1993, average rate of 4.1860%, issued November 1993, maturing serially to 2008	2,960,000
Water and Sanitary Sewer Series 1995, average rate of 5.2756%, issued November 1995, maturing serially to 2015	12,550,000
Water Bonds Series 1997, average rate of 4.79%, issued December 1997, maturing serially to 2008	700,000
Combined Enterprise Revenue Series 1998A, average rate of 4.87%, issued January 1998, maturing serially to 2018	2,040,000
	$20,025,000

The general obligation bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the full faith, credit, and taxing power of

the City. The combined enterprise revenue bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the receipts of only the Water and Sewer Fund.

The City refunded a portion of the Sanitary Sewer Series 1988 bonds in November 1993. These bonds were refunded at an average interest rate of 4.1860%, which produced a net interest cost savings of $174,748.

In addition to this debt, the City also owes the State of North Carolina for debt issued though its Clean Water Revolving Loan program. Total Clean Water Debt is composed of the following two loans:

	Balance June 30, 1998
Clean Water Loan for Sewer purposes, average rate of 5.03%, issued July 1989, maturing serially to 2017	$ 4,750,000
Clean Water Loan for Water purposes, average rate of 5.03%, issued January 1992, maturing serially to 2017	427,614

Future maturities and interest of Water and Sewer Fund for all types of long-term debt are:

Year Ending	General Obligation Bonds		Revenue Bond		Clean Water Bond		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	$ 1,125,000	$ 930,982	$ 70,000	$ 91,897	$ 272,506	$ 274,374	$ 1,467,506	$ 1,297,253
2000	1,115,000	874,683	65,000	95,939	272,506	259,971	1,452,506	1,230,593
2001	1,110,000	818,414	70,000	92,774	272,506	245,528	1,452,506	1,156,716
2002	1,105,000	762,358	70,000	89,364	272,506	231,085	1,447,506	1,082,807
2003	1,100,000	706,510	75,000	85,956	272,506	216,642	1,447,506	1,009,108
2004	1,095,000	650,872	80,000	82,303	272,506	202,199	1,447,506	935,374
2005	1,100,000	595,445	85,000	78,407	272,506	187,757	1,457,506	861,609
2006	1,100,000	539,702	90,000	74,268	272,506	173,314	1,462,506	787,284
2007	1,095,000	483,755	90,000	69,885	272,506	158,871	1,457,506	712,511
2008	1,040,000	428,018	95,000	65,501	272,506	144,428	1,407,506	637,947
2009	1,000,000	372,100	100,000	60,875	272,506	129,985	1,372,506	562,960
2010	1,000,000	318,750	105,000	56,005	272,506	115,543	1,377,506	490,298
2011	1,000,000	265,400	110,000	50,892	272,506	101,100	1,382,506	417,392
2012	1,000,000	212,000	115,000	45,534	272,506	86,657	1,387,506	344,191
2013	1,000,000	159,000	120,000	39,934	272,506	72,214	1,392,506	271,148
2014	1,000,000	106,000	125,000	34,090	272,506	57,771	1,397,506	197,861
2015	1,000,000	81,003	135,000	28,003	272,506	43,328	1,407,506	152,334
2016	-	-	140,000	21,428	272,506	28,886	412,506	50,314
2017	-	-	145,000	14,610	272,506	14,443	417,506	29,053
2018	-	-	155,000	7,548	-	-	155,000	7,548
Totals	$17,985,000	$8,304,992	$2,040,000	$1,185,213	$5,177,614	$2,744,096	$25,202,614	$12,234,301

PROPOSED DEBT

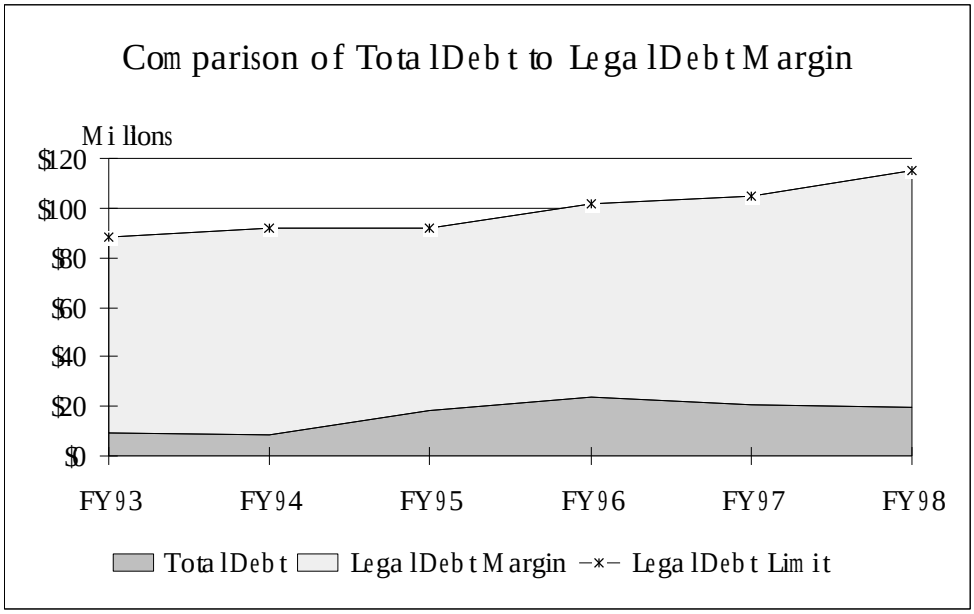
Currently, the City of Salisbury has $3,250,000 Water general obligation bonds that are authorized, but unissued. A bond sale has been scheduled for June 16, 1998 with the bonds to be dated July 1, 1998.

The City of Salisbury currently is in a lawsuit regarding the annexation of land adjacent to the existing City limits. Although annexation was upheld by the Superior Court, it has been appealed. At the point that the annexation is upheld and no further appeals are filed, the City of Salisbury anticipates issuing $4,400,000 in water and sewer revenue bonds. The City is currently making improvements to its existing water treatment plant. The $3,250,000 water general obligation bonds scheduled for sale on June 16, 1998 will be used for a portion of these renovations. Revenue bonds are also anticipated being used to fund the expansion of the water treatment plant upon the completion of these renovations. All debt service costs for the water and sewer fund will be funded out of this fund and have been included in the debt service appropriation.

In addition to these bonds, the City has been approved to receive $9,200,000 from North Carolina's Revolving Loan Pool. This loan will be for sewer improvements. These funds are expected to be received during FY 1998-99 and the debt service requirement for the loan is anticipated to begin in FY 1999-00.

LEGAL DEBT MARGIN

As shown, the City has maintained an ample legal debt margin. This margin is based on a debt limit of eight percent of assessed valuation less total debt as required by North Carolina General Statutes. The margin allows for the incurring of proposed debt to finance the needed water and sewer infrastructure projects as outlined in Section X - CAPITAL IMPROVEMENT PROGRAM. Furthermore, the City complies with the Debt Management Policy as defined on page 2-4.



Computation of Legal Debt Margin at June 30, 1998

Debt limit: Assessed value of $1,436,811,203 x 8%		$ 114,944,896
Amount of debt applicable to debt limit:		
Total bonded debt	$ 21,610,000	
Total capitalized lease obligation	1,629,583	
Total outstanding debt	$ 23,239,583	
Add:		
G.O. bonds authorized, but not issued	3,250,000	
Less:		
Deductions allowed for water bonds issued	4,009,890	
Deductions allowed for water bonds authorized, but not issued	3,250,000	
Total amount of debt applicable to debt limit		19,229,693
LEGAL DEBT MARGIN		$ 95,715,203

DIRECT AND OVERLAPPING DEBT

The table on the next page shows the computation of direct and overlapping debt from the City and Rowan County. These amounts are as of June 30, 1997.

	Net Debt Outstanding	Percentage Applicable to City of Salisbury [1]	City of Salisbury's Share of Debt
City of Salisbury	$ 725,000	100.00%	$ 725,000
Rowan County[2]	41,100,000	24.65%	10,129,226
Total direct and overlapping debt			$ 10,854,226

[1] Based on assessed valuation

[2] Net debt and assessed valuation figures provided by Rowan County

Click here to move to the next section.