

Debt Service

Mission

Debt Service provides funds sufficient to make annual interest and principal payments on County debt obligations borrowed for capital expenditures, largely highway and building projects. By statute, the County's outstanding debt is restricted to 5% of the equalized value of all property in the County.

Policy

The County structures its debt borrowing issues to maintain annual debt service payments to avoid major fluctuations between years. Promissory notes are amortized with larger payments in the final years to integrate new debt with existing debt to achieve stability in annual payments and impact on future budgets.

The County uses debt borrowing to fund no more than 80 percent of net (after revenues applied) capital budget expenditures for a moderate term of between nine or ten years. This allows debt service to be managed to comprise no greater than 10% of total governmental operating expenditures. Capital projects include highway projects, County buildings, information technology projects and building projects at County Parks and Airport.

Based on the current five year Capital Projects Plan, debt service expenditures are structured to be no greater than ten percent of the estimated total governmental funds operating expenditures for each budget year through the final year of debt repayment. See "Debt Service Ratio" (next page).

By State Statute, the County's debt obligations cannot exceed 5% of the equalized value of all property in the County. The County will have over 95% of its debt limit available after including the planned 2010 debt issue of \$10.0 million. See "Financial Management Policies" - Revenues and Debt Policies.

By State Statute, there is separate property tax levy rate limits for debt service levy. The baseline for the limit is the 1992 tax rate adopted for the 1993 Budget (for more information see Financial Management Policies-Property Tax Levy Rate Limits section).

General Debt Service Fund

This fund includes general County debt obligations related to capital project expenditures in governmental funds.

<u>Expenditures</u>	<u>2009 Actual (a)</u>	<u>2010 Budget</u>	<u>2010 Estimate</u>	<u>2011 Based on Prior Years</u>	<u>Impact of 2011 Issue</u>	<u>2011 Budget</u>	<u>Budget Change</u>
Principal	\$10,240,000	\$10,925,000	\$10,925,000	\$11,885,000		\$11,885,000	\$960,000
Interest Expense	<u>\$2,734,363</u>	<u>\$2,786,031</u>	<u>\$2,499,280</u>	<u>\$2,349,386</u>	<u>\$375,000</u>	<u>\$2,724,386</u>	<u>(\$61,645)</u>
TOTAL DEBT	\$12,974,363	\$13,711,031	\$13,424,280	\$14,234,386	\$375,000	\$14,609,386	\$898,355
Fund Balance				\$126,325 (b)	\$0	\$126,325	\$126,325
Fund balance	<u>\$102,025</u>	<u>\$706,031 (c)</u>	<u>\$419,280</u>	<u>\$1,178,061 (d)</u>	<u>\$0</u>	<u>\$1,178,061</u>	<u>\$472,030</u>
TAX LEVY	\$12,872,338	\$13,005,000	\$13,005,000	\$12,930,000	\$375,000	\$13,305,000	\$300,000

- (a) Does not include 2009 refunding payoff of \$7.7 million balance of 2001 and 2002 debt issues.
- (b) 2011 budget includes fund balance in anticipation of 45% direct payment interest credit (to be received in 2011) from the United States Treasury in connection with the 2010 Notes. The interest credit for 2010 is estimated at \$39,712. State requirements do not allow the use of budgeted revenue for payment of debt obligations but revenues can be used in a future year, after they have been received.
- (c) 2010 Budget includes designated jail assessment revenue from prior years of \$371,031 and designated 2009 investment income (prior year revenue) of \$335,000.
- (d) 2011 Budget includes designated jail assessment revenue from prior years of \$550,000, investment income (prior year revenue) of \$353,000 and \$275,061 of debt service fund balance.

Debt Service Ratio

Debt service as a percent of total governmental operating expenditures, excluding proprietary funds and capital project funds, is a measure of debt service impact to operations. As a fixed cost, debt issues are structured to maintain debt service at less than ten percent of the total governmental operating expenditures in future County budgets. Projected debt includes debt expected to be issued for capital projects in future years of the 2011-2015 Five-Year Capital Projects Plan. Projected expenditures for 2009 includes a \$15.2 million reduction in expenditures from 2008 reflecting the second year impact of the State takeover of the cost of care for adults with disabilities and the eligible elderly. Projected expenditures for governmental operations assume a 4.0% annual growth rate after 2011.

(Millions)	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Actual*	Actual	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$205.8	\$205.3	\$186.5	\$196.5	\$200.8	\$208.9	\$217.2	\$217.2	\$225.9
Debt Ser.**	\$12.8	\$13.0	\$13.0	\$13.4	\$14.6	\$15.2	\$15.7	\$15.7	\$15.9
Ratio (%) of Debt to Oper	6.2%	6.3%	7.0%	6.8%	7.3%	7.3%	7.2%	7.2%	7.1%

*Excludes proprietary fund operating expenditures.

**Does not include refunding and debt redemption activity.

Debt Outstanding

Debt outstanding is the outstanding principal on general obligation bonds for which the County has pledged its full faith, credit and unlimited taxing power.

Year Issue (a)	Budget Year	Final Payment Year	Amount Issued	True Interest Cost	Outstanding Debt
2010 GOPN (b)	2010	2020	\$9,000,000	1.93%	\$9,000,000
2009 GOPN (c)	2009	2019	\$15,700,000	2.70%	\$12,050,000
2008 GOPN (d)	2008	2018	\$10,000,000	3.28%	\$9,000,000
2007 GOPN	2007	2017	\$10,000,000	3.77%	\$8,700,000
2006 GOPN	2006	2016	\$12,000,000	4.05%	\$9,200,000
2005 GOPN	2005	2015	\$14,400,000	3.79%	\$11,030,000
2004 GOPN	2004	2014	\$14,000,000	2.85%	\$8,200,000
2003 GOPN	2003	2013	\$13,500,000	3.56%	\$6,750,000
TOTAL DEBT 12/31/10					\$73,930,000
2011 BUDGET					\$10,000,000
TOTAL DEBT					\$83,930,000

(a) GOPN=General Obligation Promissory Note

(b) The 2010 Adopted Budget was reduced by \$1,000,000 to offset related Capital Budget reductions.

(c) The 2009 issue includes a reduction of \$2,000,000 to \$8,000,000 for 2009 capital expenditures reduced \$2.0 million by ordinance and \$7.7 million to refinance debt issued in 2001 and 2002.

(d) The 2008 Adopted Budget was for \$12,000,000. After reviewing 2007 year end results, it was determined that \$2 million was available from undesignated fund balance to reduce the 2008 borrowing to \$10,000,000.

Outstanding Debt Limit

By statute, the County's outstanding debt is limited to 5% of the equalized value of all County property.

	2009 Budget Year	2010 Budget Year	2011 Budget Year
Equalized Value (e)	\$53,055,876,600	\$52,111,509,500	\$50,288,874,200
Debt Limit (5% x equalized value)	\$2,652,793,830	\$2,605,575,475	\$2,514,443,710
Outstanding Debt (f)	\$75,855,000	\$73,930,000	\$83,930,000
Available Debt Limit	\$2,576,938,830	\$2,531,645,475	\$2,430,513,710
Percent of Debt Limit Available	97.1%	97.2%	96.7%

(e) Total County equalized value including Tax Incremental Districts for budget year purposes.

(f) Includes anticipated 2011 debt issue of \$10.0 million.

Debt Service

Debt Service

Schedule

SCHEDULE OF CURRENT AND PROPOSED DEBT SERVICE REQUIREMENTS

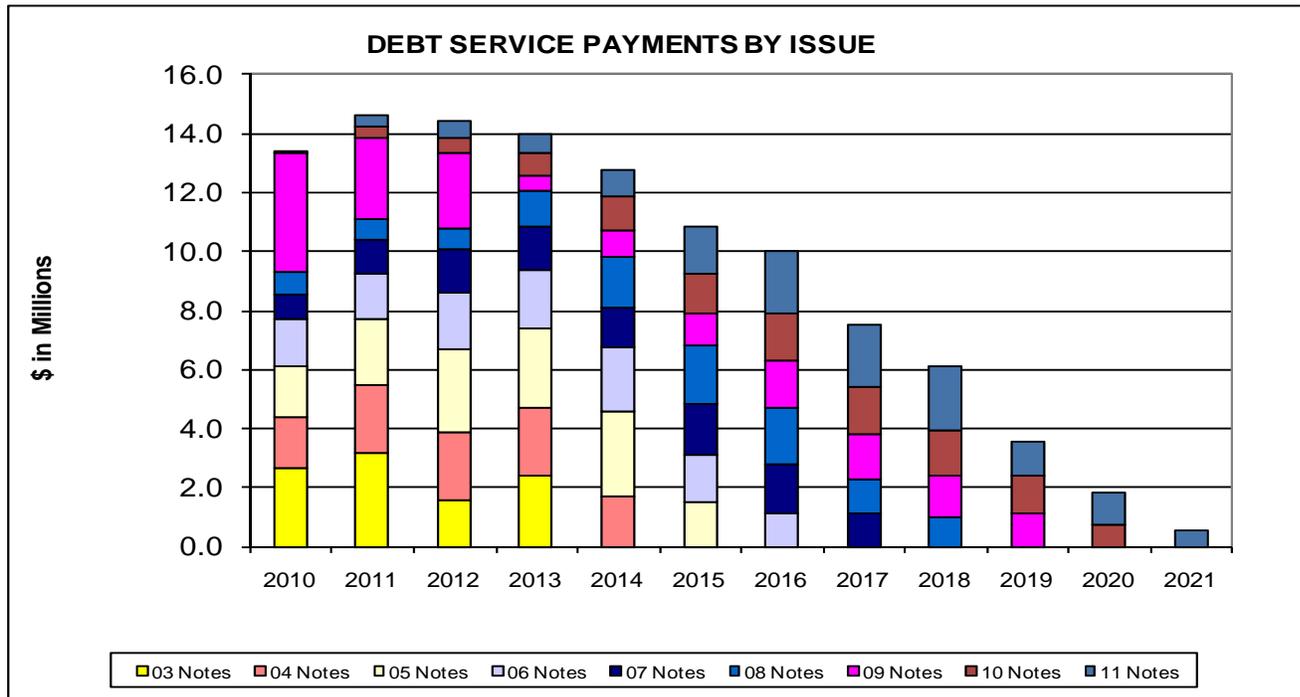
	2003 GOPN	2004 GOPN	2005 GOPN	2006 GOPN	2007 GOPN	2008 GOPN	2009 GOPN	2010 GOPN	2011 GOPN	Total
<u>2011</u>										
Principal	2,975,000	2,100,000	1,820,000	1,200,000	800,000	400,000	2,490,000	100,000	0	11,885,000
Interest	198,050	214,938	404,800	345,375	319,625	294,650	291,225	280,723	375,000	2,724,386
2011 Budget Total										14,609,386
<u>2012</u>										
Principal	1,425,000	2,200,000	2,505,000	1,600,000	1,200,000	400,000	2,360,000	200,000	100,000	11,990,000
Interest	117,781	153,125	318,300	289,375	282,125	281,650	242,725	278,998	450,000	2,414,079
<u>2013</u>										
Principal	2,350,000	2,200,000	2,470,000	1,800,000	1,200,000	1,000,000	300,000	450,000	200,000	11,970,000
Interest	45,531	87,950	218,800	221,375	236,375	258,900	215,750	273,648	445,500	2,003,829
<u>2014</u>										
Principal		1,700,000	2,745,000	2,000,000	1,200,000	1,500,000	650,000	900,000	500,000	11,195,000
Interest		27,200	114,500	145,375	189,875	218,275	204,250	259,923	436,500	1,595,898
<u>2015</u>										
Principal			1,490,000	1,500,000	1,600,000	1,800,000	950,000	1,075,000	1,200,000	9,615,000
Interest			29,800	75,375	135,625	163,525	183,063	235,466	414,000	1,236,854
<u>2016</u>										
Principal				1,100,000	1,600,000	1,800,000	1,450,000	1,435,000	1,700,000	9,085,000
Interest				22,688	73,625	102,775	148,250	198,443	360,000	905,781
<u>2017</u>										
Principal					1,100,000	1,100,000	1,450,000	1,435,000	1,800,000	6,885,000
Interest					21,313	53,700	102,938	152,164	283,500	613,615
<u>2018</u>										
Principal						1,000,000	1,300,000	1,435,000	2,000,000	5,735,000
Interest						17,500	58,250	103,015	202,500	381,265
<u>2019</u>										
Principal							1,100,000	1,255,000	1,000,000	3,355,000
Interest							18,563	53,430	112,500	184,493
<u>2020</u>										
Principal								715,000	1,000,000	1,715,000
Interest								14,479	67,500	81,979
<u>2021</u>										
Principal									500,000	500,000
Interest									22,500	22,500
Total Principal	\$6,750,000	\$8,200,000	\$11,030,000	\$9,200,000	\$8,700,000	\$9,000,000	\$12,050,000	\$9,000,000	\$10,000,000	\$83,930,000
Total Interest	<u>\$361,362</u>	<u>\$483,213</u>	<u>\$1,086,200</u>	<u>\$1,099,563</u>	<u>\$1,258,563</u>	<u>\$1,390,975</u>	<u>\$1,465,014</u>	<u>\$1,850,289</u>	<u>\$3,169,500</u>	<u>\$12,164,679</u>
Total Payment	\$7,111,362	\$8,683,213	\$12,116,200	\$10,299,563	\$9,958,563	\$10,390,975	\$13,515,014	\$10,850,289	\$13,169,500	\$96,094,679

DEBT SERVICE BY BOND ISSUE

Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (9 to 10 years) promissory notes amortized with larger payments in the final years to integrate new debt with existing debt. It is the County’s policy to maintain County infrastructure (roads, facilities, technology, and equipment) within established standards to avoid more costly replacement or liability risks. The County relies on using moderate term debt issues to finance these projects and continue to address infrastructure needs prudently.

Debt service increases in 2011 include interest expense of \$375,000 (assuming 4.5% annual rate for 10 months) on borrowing planned at \$10.0 million for 2011 capital projects. The 2011 issue is planned for a ten year term, therefore the County’s debt, to this point in time including the 2010 budget issue, is planned to be entirely paid off by the year 2021.

The County has taken action to reduce planned borrowing and refinanced past debt issues to prepare for anticipated large debt issues in 2012 and 2013 (See next page). The 2008 Adopted Budget included planned borrowing of \$12,000,000; however, after reviewing 2007 year end results, it was determined that \$2 million of undesignated Fund Balance was available to reduce the 2008 borrowing to \$10,000,000. In 2009, favorable contract bids allowed reduced capital expenditures and reduced debt borrowing by \$2 million to \$8 million. Also in 2009, \$7.7 million of debt issued in 2001 and 2002 was refinanced resulting in future interest savings of \$400,000. In 2010, debt borrowing was reduced from \$10,000,000 to \$9,000,000 to offset a reduction in cash flow requirements for a major road project.

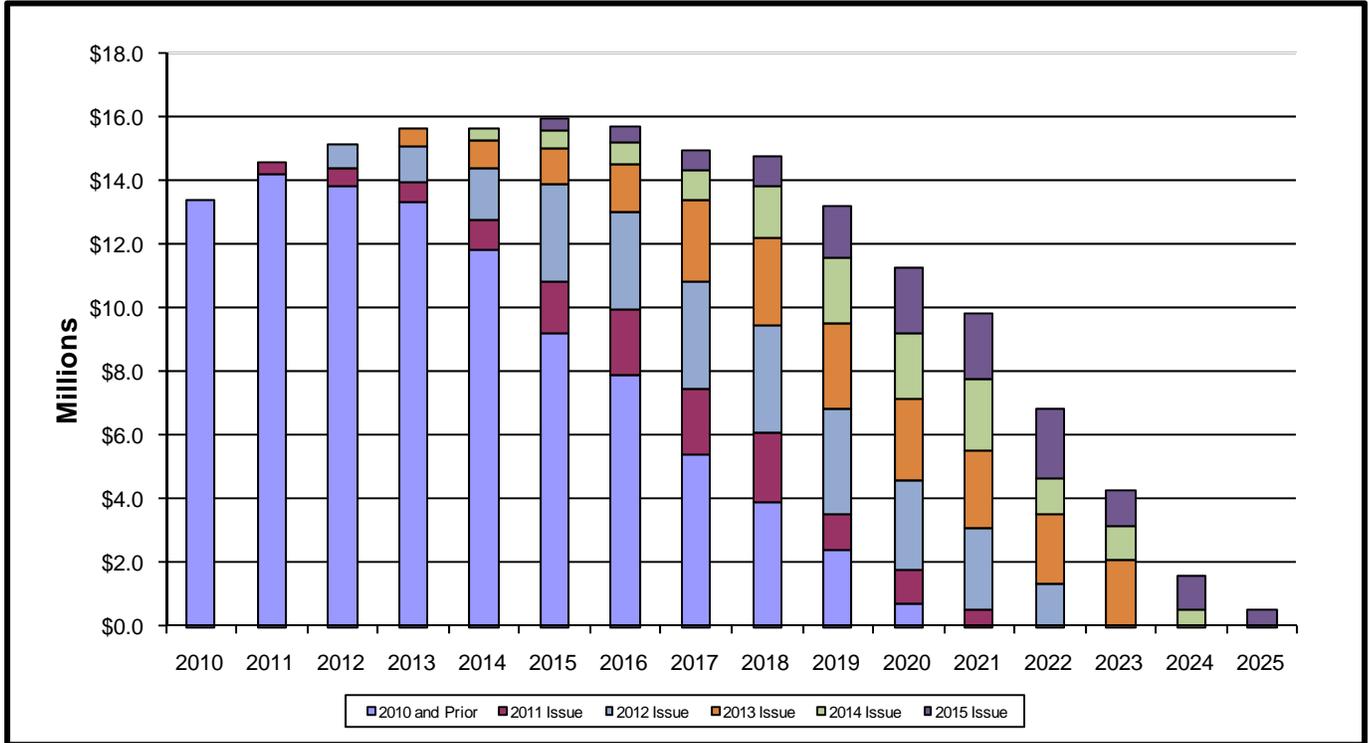


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Debt Service

Projected Debt Service

Future debt service is projected based on capital expenditures planned for in the County's five-year capital plan. Debt is managed to maintain debt service payments at less than 10% of each respective budget year governmental operating expenditures. (See Debt Service Activity page)



	2011 5- Year Plan	2012 5- Year Plan	2013 5- Year Plan	2014 5- Year Plan	2015 5- Year Plan
Capital Plan Project Costs	\$20,232,500	\$35,038,000	\$24,000,000	\$20,345,000	\$15,238,000
Capital Plan Funding					
Project Direct Funding Sources (a)	\$4,582,500	\$4,765,000	\$1,248,500	\$5,262,500	\$539,000
Investment Income on Cash Balances	\$350,000	\$700,000	\$600,000	\$400,000	\$400,000
Tax levy	\$2,550,000	\$3,248,000	\$3,501,500	\$4,682,500	\$4,299,000
Cap/Gen Fund	\$2,750,000	\$6,325,000	\$2,650,000	\$0	\$0
Borrowed Funds	<u>\$10,000,000</u>	<u>\$20,000,000</u>	<u>\$16,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
Total Capital Plan Funding	\$20,232,500	\$35,038,000	\$24,000,000	\$20,345,000	\$15,238,000
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	4.50%	4.50%	4.50%	4.50%	4.50%
Planned Bond Issue	\$10,000,000	\$20,000,000	\$16,000,000	\$10,000,000	\$10,000,000

(a) Other funding for projects usually is identified as project year nears the budget appropriation year.