

Debt Service

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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 integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take advantage of call provisions of the market rates when warranted.

The County uses debt borrowing to fund no more than 80 percent of net (after revenues applied) capital budget expenditures for a moderate term no longer than ten years. This allows debt service to be managed to comprise no greater than 10% of total governmental operating expenditures over the long term. 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 2014 debt issue of \$10.0 million. See "Financial Management Policies" - Revenues and Debt Policies.

By State Statute, there is a 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). The County continues to be in compliance with the debt levy rate and expects to be with the 2014 debt issue.

General Debt Service Fund

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

Expenditures	2012 Actual (a)	2013 Budget	2013 Estimate	2014 Based on Prior Years	Impact of 2014 Issue	2014 Budget	Budget Change
Principal	\$11,925,000	\$12,380,000	\$12,380,000 (a)	\$12,220,000		\$12,220,000	(\$160,000)
Interest Expense	<u>\$2,100,660</u>	<u>\$2,403,365</u>	<u>\$2,040,889</u>	<u>\$1,903,154</u>	<u>\$300,000</u>	<u>\$2,203,154</u>	<u>(\$200,211)</u>
TOTAL DEBT	\$14,025,660	\$14,783,365	\$14,420,889	\$14,123,154	\$300,000	\$14,423,154	(\$360,211)
Fund Balance (b)	\$125,549	\$123,141	\$123,141	\$116,965 (b)	\$0	\$116,965	(\$6,176)
Fund balance	<u>\$485,111</u>	<u>\$1,305,224 (c)</u>	<u>\$942,748</u>	<u>\$1,096,189 (d)</u>	<u>\$0</u>	<u>\$1,096,189</u>	<u>(\$209,035)</u>
TAX LEVY	\$13,415,000	\$13,355,000	\$13,355,000	\$12,910,000	\$300,000	\$13,210,000	(\$145,000)

- (a) Does not include the 2012 refunding of the \$6.705 million of the 2005 issue or the 2013 refunding of \$4.6 million for the 2006 issue. Since principal paydown was not changed in refunding, it would reflect a doubling of debt in years of refinancing.
- (b) Includes fund balance in anticipation of 45% direct payment interest credit (to be received over the life of the note beginning in 2010) from the United States Treasury in connection with the 2010 Notes. 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) 2013 Budget includes designated jail assessment revenue from prior years of \$500,000, investment income (prior year revenue) of \$305,224 and \$500,000 of debt service fund balance.
- (d) 2014 Budget includes designated jail assessment revenue from prior years of \$500,000, investment income (prior year revenue) of \$200,000 and \$396,189 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 2014-2018 Five-Year Capital Projects Plan. Projected expenditures for governmental operations assume a 3.0% annual growth rate after 2014.

(Millions)	2012	2013	2014	2015	2016	2017	2018
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$192.9	\$198.6	\$202.6	\$208.7	\$215.0	\$221.4	\$228.1
Debt Ser.**	\$14.0	\$14.4	\$14.4	\$14.9	\$15.2	\$15.1	\$15.1
Ratio (%) of Debt to Oper	7.3%	7.3%	7.1%	7.1%	7.1%	6.8%	6.6%

*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
2013 GOPN	2013	2023	\$17,000,000	1.64%	\$17,000,000
2013 Refunding (b)	2012	2016	\$4,550,000	0.65%	\$4,550,000
2012 GOPN	2012	2022	\$20,000,000	1.64%	\$19,500,000
2012 Refunding (c)	2012	2015	\$6,635,000	1.19%	\$4,120,000
2011 GOPN (d)	2011	2021	\$19,490,000	1.81%	\$11,215,000
2010 GOPN (e)	2010	2020	\$9,000,000	1.93%	\$8,250,000
2009 GOPN (f)	2009	2019	\$15,700,000	2.70%	\$6,900,000
2008 GOPN (g)	2008	2018	\$10,000,000	3.28%	\$7,200,000
2007 GOPN	2007	2017	\$10,000,000	3.77%	\$5,500,000
TOTAL DEBT 12/31/13					\$84,235,000
2014 BUDGET					<u>\$10,000,000</u>
TOTAL DEBT (h)					<u>\$94,235,000</u>

(a) GOPN=General Obligation Promissory Note

(b) 2013 refunding includes \$4,550,000 of 2006 notes refunded in 2013.

(c) 2012 refunding includes \$6,635,000 of the 2005 notes refunded in April, 2012.

(d) 2011 includes refunding of \$9.9 million balance of 2003 and 2004 debt issues.

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

(f) 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.

(g) 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.

(h) The 2014 budget will reduce the outstanding debt with the budgeted principal payment of \$12,220,000 to \$82,015,000.

Outstanding Debt Limit

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

	2012 Budget Year	2013 Budget Year	2014 Budget Year
Equalized Value (i)	\$49,552,562,500	\$47,739,764,800	\$47,217,366,700
Debt Limit (5% x equalized value)	\$2,477,628,125	\$2,386,988,240	\$2,360,868,335
Outstanding Debt (j)	\$79,665,000	\$96,665,000	\$94,235,000
Available Debt Limit	\$2,397,963,125	\$2,290,323,240	\$2,266,633,335
Percent of Debt Limit Available	96.8%	96.0%	96.0%

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

(j) Includes anticipated 2014 debt issue of \$10.0 million.

SCHEDULE OF CURRENT AND ADOPTED DEBT SERVICE REQUIREMENTS

	2012 REFUNDING (a)	2013 REFUNDING (b)	2007 GOPN	2008 GOPN	2009 GOPN	2010 GOPN	2011 GOPN	2012 GOPN	2013 GOPN	2014 GOPN	Total
<u>2014</u>											
Principal	2,720,000	2,035,000	1,200,000	1,500,000	650,000	900,000	2,015,000 (c)	700,000	500,000	0	12,220,000
Interest	32,844	22,962	189,875	218,275	204,250	259,923	245,400	384,625	345,000	300,000	2,203,154
2014 Budget Total											14,423,154
<u>2015</u>											
Principal	1,400,000	1,480,000	1,600,000	1,800,000	950,000	1,075,000	1,200,000	2,200,000	600,000	300,000	12,605,000
Interest	8,330	11,538	135,625	163,525	183,063	235,466	213,250	355,625	334,000	300,000	1,940,422
<u>2016</u>											
Principal		1,035,000	1,600,000	1,800,000	1,450,000	1,435,000	1,700,000	2,300,000	600,000	500,000	12,420,000
Interest		3,364	73,625	102,775	148,250	198,443	180,000	310,625	322,000	291,000	1,630,082
<u>2017</u>											
Principal			1,100,000	1,100,000	1,450,000	1,435,000	1,800,000	2,600,000	2,000,000	500,000	11,985,000
Interest			21,313	53,700	102,938	152,164	136,250	261,625	296,000	276,000	1,299,990
<u>2018</u>											
Principal				1,000,000	1,300,000	1,435,000	2,000,000	2,700,000	2,300,000	800,000	11,535,000
Interest				17,500	58,250	103,015	88,750	208,625	253,000	261,000	990,140
<u>2019</u>											
Principal					1,100,000	1,255,000	1,000,000	2,800,000	2,350,000	1,500,000	10,005,000
Interest					18,563	53,430	51,250	153,625	206,500	237,000	720,368
<u>2020</u>											
Principal						715,000	1,000,000	2,500,000	2,350,000	1,500,000	8,065,000
Interest						14,479	26,250	100,625	159,500	192,000	492,854
<u>2021</u>											
Principal							500,000	2,400,000	2,300,000	1,500,000	6,700,000
Interest							6,875	51,625	113,000	147,000	318,500
<u>2022</u>											
Principal								1,300,000	2,000,000	1,400,000	4,700,000
Interest								13,813	67,500	102,000	183,313
<u>2023</u>											
Principal									2,000,000	1,200,000	3,200,000
Interest									22,500	60,000	82,500
<u>2024</u>											
Principal										800,000	800,000
Interest										24,000	24,000
Total Principal	\$4,120,000	\$4,550,000	\$5,500,000	\$7,200,000	\$6,900,000	\$8,250,000	\$11,215,000	\$19,500,000	\$17,000,000	\$10,000,000	\$94,235,000
Total Interest	\$41,174	\$37,864	\$420,438	\$555,775	\$715,314	\$1,016,920	\$948,025	\$1,840,813	\$2,119,000	\$2,190,000	\$9,885,323
Total Payment	\$4,161,174	\$4,587,864	\$5,920,438	\$7,755,775	\$7,615,314	\$9,266,920	\$12,163,025	\$21,340,813	\$19,119,000	\$12,190,000	\$104,120,323

(a) 2012 Refunding Issue includes \$6.6 million of the 2005 notes refunded in April, 2012.

(b) 2013 Refunding Issue includes \$4.6 million of the 2006 notes funded in 2013.

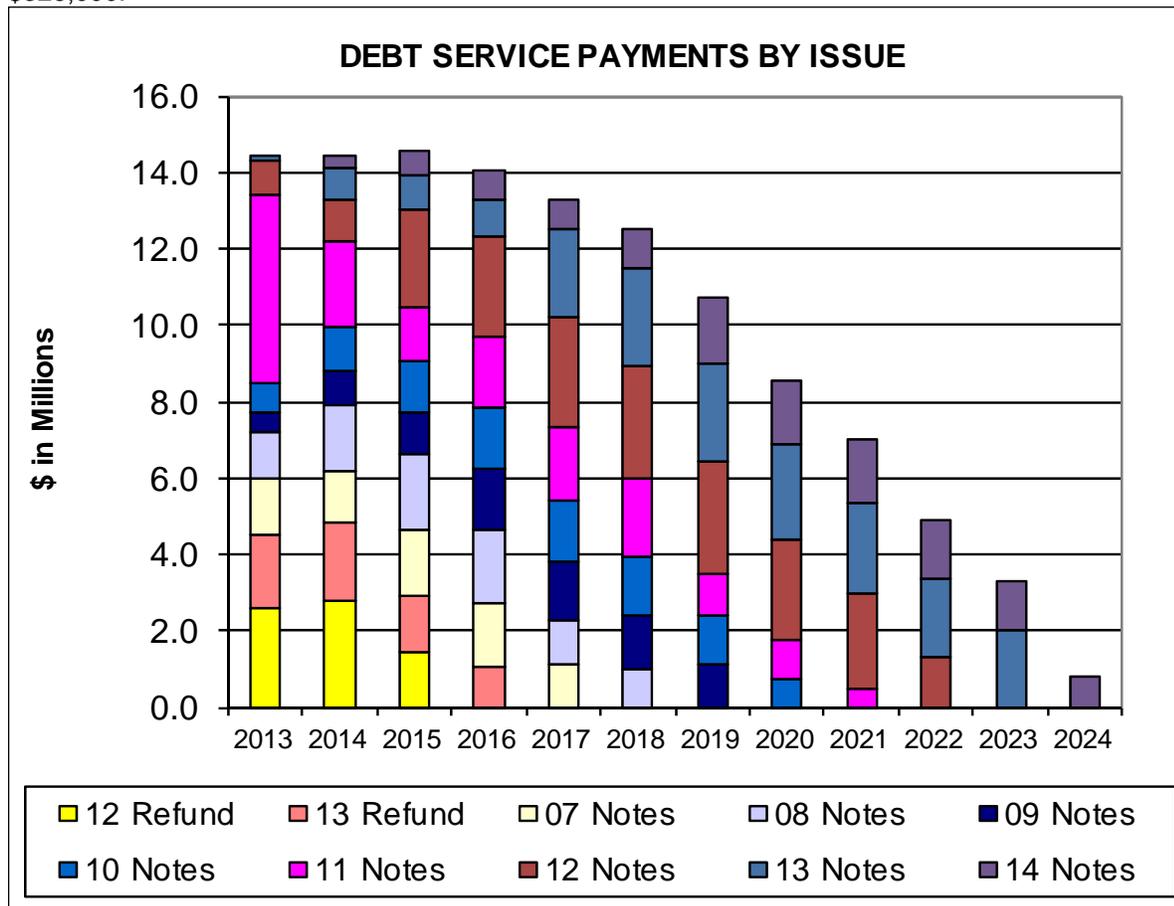
(c) 2011 Issue of \$19,490,000 includes refunding of \$9.9 million balance of the 2003 and 2004 debt issues.

DEBT SERVICE BY BOND ISSUE

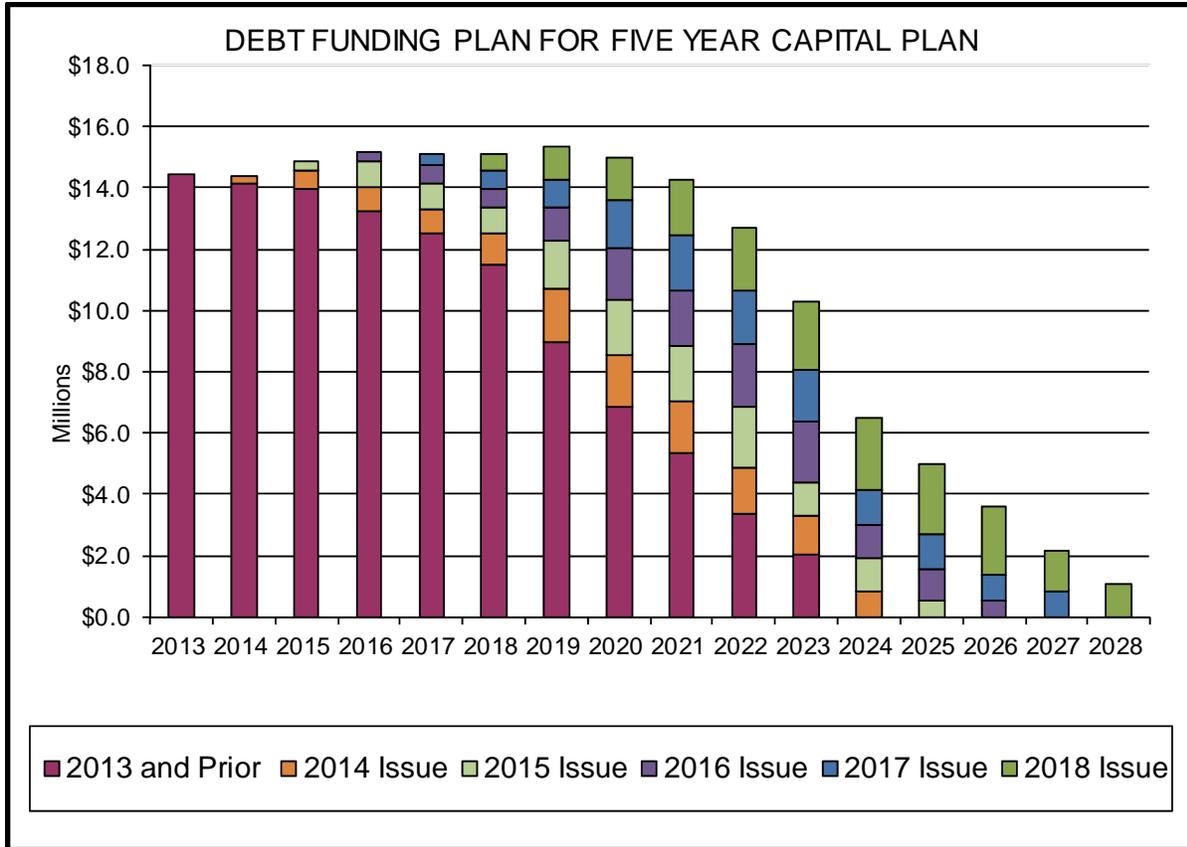
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (9 to 10 years) promissory notes amortized integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take advantage of call provisions of the market rates when warranted. 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 expenditures are projected to decrease by about \$360,000 in 2014, including a decrease in principal payments by \$160,000 and interest payments by \$200,000. The decreases are mostly due to obtaining favorable interest rates through refinancing of previously issued debt.

The County has taken action to reduce planned borrowing and refinanced past debt issues to prepare for the large debt issues in 2012 and 2013. 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 estimated future interest savings of \$400,000. In 2010, debt borrowing was reduced from \$10,000,000 to \$9,000,000 due to lower cash flow requirements for a major road project. In 2011, \$9 million of debt issues in 2003 and 2004 was refinanced resulting in future interest savings estimated at \$256,000. In 2012, \$6.625 million of debt issued in 2005 was also refinanced with additional interest savings estimated at \$332,000. In 2013, \$4,600,000 of debt issued in 2006 was also refinanced with savings estimated at \$326,000.



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)



	2014 Budget	2015 5- Year Plan	2016 5- Year Plan	2017 5- Year Plan	2018 5- Year Plan
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Capital Plan Project Costs	\$27,992,700	\$15,518,000	\$15,296,200	\$14,775,400	\$19,601,000
Capital Plan Funding					
Project Direct Funding Sources (a)	\$1,000,000	\$2,007,500	\$1,641,200	\$1,886,600	\$300,000
Investment Income on Cash Balances	\$250,000	\$300,000	\$400,000	\$400,000	\$500,000
Tax levy/Current Funds (b)	\$16,742,700	\$3,210,500	\$3,255,000	\$2,488,800	\$4,801,000
Borrowed Funds	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$14,000,000</u>
Total Capital Plan Funding	\$27,992,700	\$15,518,000	\$15,296,200	\$14,775,400	\$19,601,000
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	3.00%	4.00%	4.00%	4.00%	4.50%
Planned Bond Issue	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$14,000,000

(a) Other funding for projects usually is identified as project year nears the budget appropriation year.
 (b) Includes funds from Capital and General Fund Balances.