

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 2015 debt issue of \$10.0 million. See "Financial Management Policies" - Revenues and Debt Policies.

General Debt Service Fund

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

<u>Expenditures</u>	<u>2013 Actual (a)</u>	<u>2014 Budget (b)</u>	<u>2014 Estimate (b)</u>	<u>2015 Based on Prior Years</u>	<u>Impact of 2015 Issue</u>	<u>2015 Budget</u>	<u>Budget Change</u>
Principal	\$12,380,000	\$12,220,000	\$12,220,000	\$12,635,000		\$12,635,000	\$415,000
Interest Expense	<u>\$2,040,889</u>	<u>\$2,203,154</u>	<u>\$1,897,313</u>	<u>\$1,734,317</u>	<u>\$250,000</u>	<u>\$1,984,317</u>	<u>(\$218,837)</u>
TOTAL DEBT	\$14,420,889	\$14,423,154	\$14,117,313	\$14,369,317	\$250,000	\$14,619,317	\$196,163
Fund Balance (c)	\$123,141	\$116,965	\$123,141	\$105,960 (c)	\$0	\$105,960	(\$11,005)
Fund balance	<u>\$942,748</u>	<u>\$1,096,189 (d)</u>	<u>\$784,172</u>	<u>\$1,563,357 (e)</u>	<u>\$0</u>	<u>\$1,563,357</u>	<u>\$467,168</u>
TAX LEVY	\$13,355,000	\$13,210,000	\$13,210,000	\$12,700,000	\$250,000	\$12,950,000	(\$260,000)

(a) Does not include the 2013 refunding of the \$4.6 million of the 2006 issue. Since principal paydown was not changed in refunding, it would otherwise reflect a doubling of debt in years of refinancing.

(b) Does not include the 2014 refunding of \$4.3 million for the 2007 issue.

(c) 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.

(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.

(e) 2015 Budget includes jail Assessment Fee Revenues of \$280,000 (last year of Jail addition debt), investment income (prior year revenue) of \$120,000 and \$1,163,357 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 2015-2019 Five-Year Capital Projects Plan. Projected expenditures for governmental operations assume a 3.0% annual growth rate after 2015.

(Millions)	2013	2014	2015	2016	2017	2018	2019
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$198.0	\$199.6	\$207.0	\$213.2	\$219.6	\$226.2	\$233.0
Debt Ser.**	\$14.4	\$14.1	\$14.6	\$14.8	\$14.9	\$14.9	\$15.0
Ratio (%) of Debt to Oper	7.3%	7.1%	7.1%	6.9%	6.8%	6.6%	6.4%

*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
2014 GOPN	2014	2024	\$10,000,000	1.74%	\$10,000,000
2014 Refunding (b)	2014	2017	\$4,255,000	0.80%	\$4,255,000
2013 GOPN	2013	2023	\$17,000,000	1.64%	\$16,500,000
2013 Refunding (c)	2013	2016	\$4,550,000	0.65%	\$2,515,000
2012 GOPN	2012	2022	\$20,000,000	1.64%	\$18,800,000
2012 Refunding (d)	2012	2015	\$6,635,000	1.19%	\$1,400,000
2011 GOPN (e)	2011	2021	\$19,490,000	1.81%	\$9,200,000
2010 GOPN (f)	2010	2020	\$9,000,000	1.93%	\$7,350,000
2009 GOPN (g)	2009	2019	\$15,700,000	2.70%	\$6,250,000
2008 GOPN	2008	2018	\$10,000,000	3.28%	\$5,700,000
TOTAL DEBT 12/31/14					\$81,970,000
2015 BUDGET (h)					\$10,000,000
TOTAL DEBT					<u>\$91,970,000</u>

(a) GOPN=General Obligation Promissory Note

(b) 2014 refunding includes \$4,255,000 of 2007 notes refunded in 2014.

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

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

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

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

(g) The 2009 issue includes \$7.7 million to refinance debt issued in 2001 and 2002.

(h) The 2015 budget will reduce the outstanding debt with the budgeted principal payment of \$12,635,000 to \$79,335,000.

Outstanding Debt Limit

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

	2013	2014	2015
	Budget Year	Budget Year	Budget Year
Equalized Value (i)	\$47,739,764,800	\$47,217,366,700	\$48,995,016,900
Debt Limit (5% x equalized value)	\$2,386,988,240	\$2,360,868,335	\$2,449,750,845
Outstanding Debt (j)	\$96,665,000	\$94,235,000	\$91,970,000
Available Debt Limit	\$2,290,323,240	\$2,266,633,335	\$2,357,780,845
Percent of Debt Limit Available	96.0%	96.0%	96.2%

(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 PROPOSED DEBT SERVICE REQUIREMENTS

	2012 REFUNDING (a)	2013 REFUNDING (b)	2014 REFUNDING (c)	2008 GOPN	2009 GOPN	2010 GOPN	2011 GOPN (d)	2012 GOPN	2013 GOPN	2014 GOPN	2015 GOPN	Total
2015												
Principal	1,400,000	1,480,000	1,630,000	1,800,000	950,000	1,075,000	1,200,000	2,200,000	600,000	300,000	\$0	12,635,000
Interest	8,330	11,538	27,520	163,525	183,063	235,466	213,250	355,625	334,000	202,000	\$250,000	1,984,317
2015 Budget Total												14,619,317
2016												
Principal		1,035,000	1,585,000	1,800,000	1,450,000	1,435,000	1,700,000	2,300,000	600,000	500,000	\$300,000	12,705,000
Interest		3,364	14,660	102,775	148,250	198,443	180,000	310,625	322,000	194,000	\$300,000	1,774,117
2017												
Principal			1,040,000	1,100,000	1,450,000	1,435,000	1,800,000	2,600,000	2,000,000	500,000	\$400,000	12,325,000
Interest			4,160	53,700	102,938	152,164	136,250	261,625	296,000	184,000	\$291,000	1,481,837
2018												
Principal				1,000,000	1,300,000	1,435,000	2,000,000	2,700,000	2,300,000	800,000	\$400,000	11,935,000
Interest				17,500	58,250	103,015	88,750	208,625	253,000	171,000	\$279,000	1,179,140
2019												
Principal					1,100,000	1,255,000	1,000,000	2,800,000	2,350,000	1,500,000	\$800,000	10,805,000
Interest					18,563	53,430	51,250	153,625	206,500	148,000	\$267,000	898,368
2020												
Principal						715,000	1,000,000	2,500,000	2,350,000	1,500,000	\$1,400,000	9,465,000
Interest						14,479	26,250	100,625	159,500	118,000	\$243,000	661,854
2021												
Principal							500,000	2,400,000	2,300,000	1,500,000	\$1,600,000	8,300,000
Interest							6,875	51,625	113,000	88,000	\$201,000	460,500
2022												
Principal								1,300,000	2,000,000	1,400,000	\$1,600,000	6,300,000
Interest								13,813	67,500	59,000	\$153,000	293,313
2023												
Principal									2,000,000	1,200,000	\$1,500,000	4,700,000
Interest									22,500	31,500	\$105,000	159,000
2024												
Principal										800,000	\$1,200,000	2,000,000
Interest										9,000	\$60,000	69,000
2025												
Principal											\$800,000	800,000
Interest											\$24,000	24,000
Total Principal	\$1,400,000	\$2,515,000	\$4,255,000	\$5,700,000	\$6,250,000	\$7,350,000	\$9,200,000	\$18,800,000	\$16,500,000	\$10,000,000	\$10,000,000	\$91,970,000
Total Interest	\$8,330	\$14,902	\$46,340	\$337,500	\$511,064	\$756,997	\$702,625	\$1,456,188	\$1,774,000	\$1,204,500	\$2,173,000	\$8,985,446
Total Payment	\$1,408,330	\$2,529,902	\$4,301,340	\$6,037,500	\$6,761,064	\$8,106,997	\$9,902,625	\$20,256,188	\$18,274,000	\$11,204,500	\$12,173,000	\$100,955,446

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

(b) 2013 Refunding Issue includes \$4.55 million of the 2006 notes refunded in 2013.

(c) 2014 Refunding Issue includes \$4.255 million of the 2007 notes refunded in 2014.

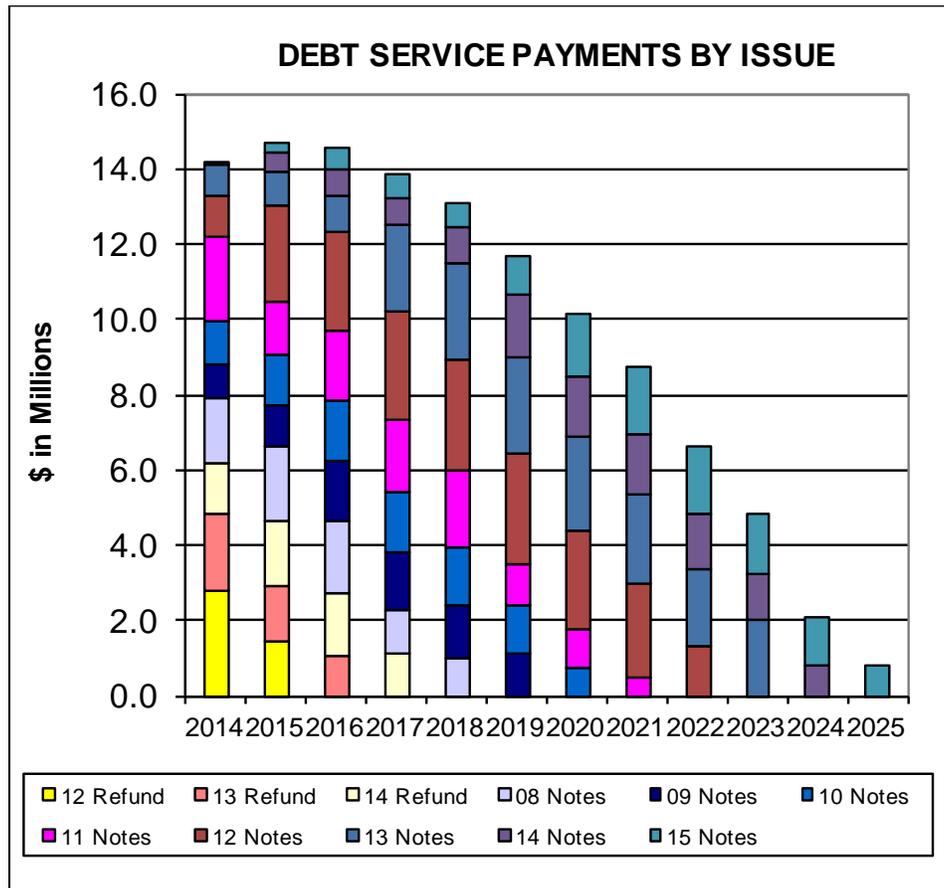
(d) 2011 Issue of \$19,490,000 includes refunding of \$9.9 million balance of the 2003 and 2004 debt issues.

DEBT SERVICE BY BOND ISSUE

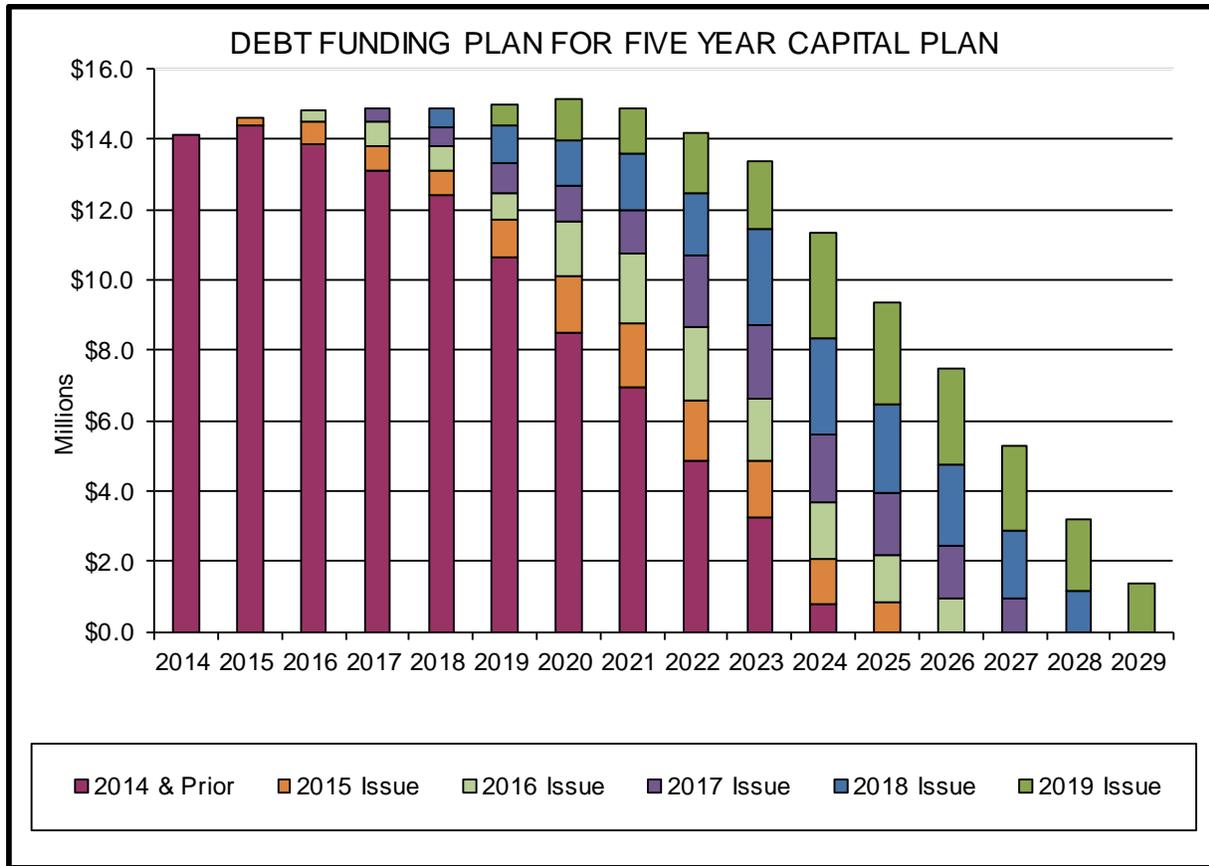
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (9 to 10 years) promissory notes amortized integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take 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 increase by about \$196,200 in 2014, including an increase in principal payments by \$415,000, partially offset by a decrease in interest payments by about \$218,800. Decreases in interest payments are mostly due to favorable rates obtained in bond issues and through refinancing of existing 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. 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 \$322,000. In 2013, \$4,550,000 of debt issued in 2006 was also refinanced with savings estimated at \$254,000. In 2014, \$4,255,000 of debt issued in 2007 was refinanced with savings estimated at \$224,000.



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)



2015 Budget	2016 5- Year Plan	2017 5- Year Plan	2018 5- Year Plan	2019 5- Year Plan
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Capital Plan Project Costs	\$17,926,400	\$17,234,200	\$16,935,000	\$19,455,000	\$21,731,000
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Capital Plan Funding

Project Direct Funding Sources (a)	\$767,500	\$2,185,200	\$2,261,600	\$210,000	\$90,000
Investment Income on Cash Balances	\$300,000	\$350,000	\$450,000	\$500,000	\$600,000
Tax levy/Current Funds (b)	\$6,858,900	\$3,699,000	\$3,223,400	\$3,845,000	\$5,041,000
Borrowed Funds	<u>\$10,000,000</u>	<u>\$11,000,000</u>	<u>\$11,000,000</u>	<u>\$14,900,000</u>	<u>\$16,000,000</u>
Total Capital Plan Funding	\$17,926,400	\$17,234,200	\$16,935,000	\$19,455,000	\$21,731,000

Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	3.00%	3.50%	4.00%	4.50%	4.50%
Planned Bond Issue	\$10,000,000	\$11,000,000	\$11,000,000	\$14,900,000	\$16,000,000

(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.