

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 when warranted by the market.

The county uses debt borrowing to fund no more than 80% 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 projects at county parks and the airport.

Based on the current five-year Capital Projects Plan, debt service expenditures are structured to be no greater than 10% of the estimated total governmental funds operating expenditures over the next five years. See "Debt Service Ratio" (two pages later).

General Debt Service Fund

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

<u>Expenditures</u>	<u>2018 Actual</u>	<u>2019 Budget</u>	<u>2019 Estimate</u>	<u>2020 Based on Prior Years</u>	<u>Impact of 2020 Issue</u>	<u>2020 Budget</u>	<u>Budget Change</u>
Principal	\$13,030,000	\$12,765,000	\$12,765,000	\$12,665,000		\$12,665,000	(\$100,000)
Interest Expense	\$1,598,840	\$2,025,518	\$1,726,429	\$1,754,779	\$525,000	\$2,279,779	\$254,261
TOTAL DEBT	\$14,628,840	\$14,790,518	\$14,491,429	\$14,419,779	\$525,000	\$14,944,779	\$154,261
Fund Balance	\$1,074,340	\$886,018 (a)	\$586,929	\$165,279 (b)	\$525,000	\$690,279	(\$195,739)
TAX LEVY	\$13,554,500	\$13,904,500	\$13,904,500	\$14,254,500	\$0	\$14,254,500	\$350,000

(a) The 2019 budget includes fund balance from the following sources: Debt Service prior-year investment income of \$126,018, prior-year jail assessment fee revenues of \$210,000, and General Fund balance of \$550,000.

(b) The 2020 budget includes fund balance from the following sources: Debt Service prior-year investment income of \$81,000, prior-year jail assessment fee revenues of \$210,000, General Fund balance of \$350,000, and Debt Service Fund balance of \$49,279.

Program Highlights

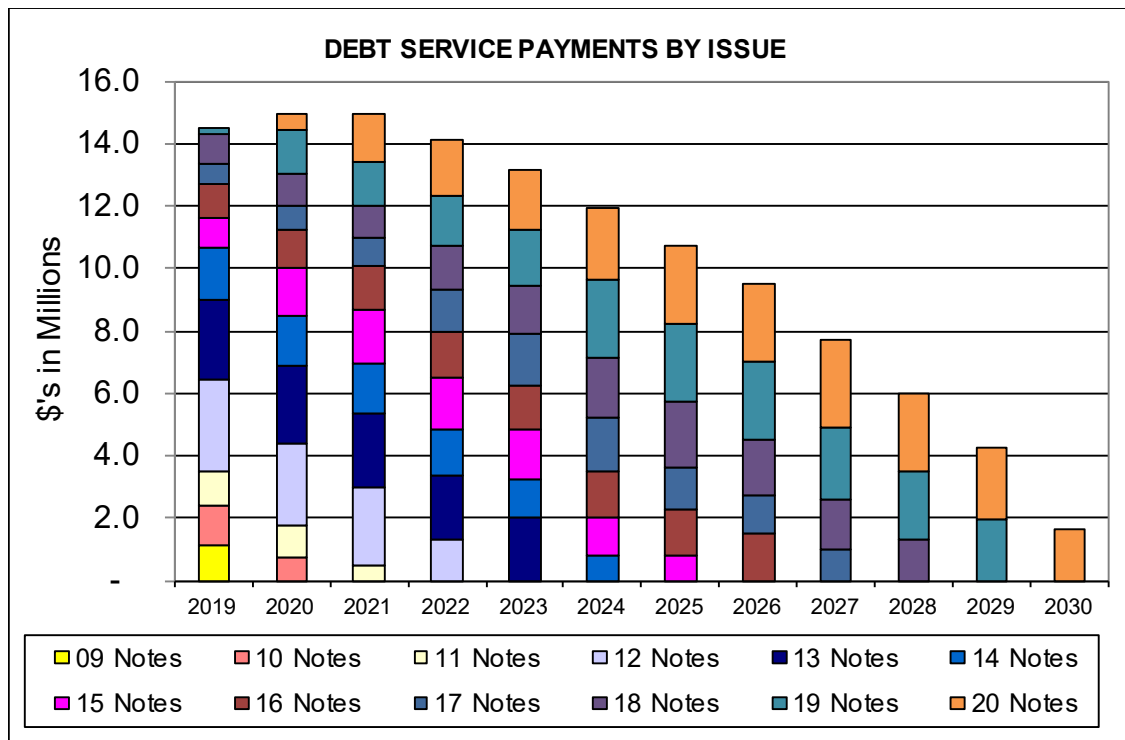
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (10 years) promissory notes amortized by integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take 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.

In 2020, debt service expenditures are projected to increase by about \$154,300, including a decrease in principal payments by \$100,000, offset by an increase in interest payments by \$254,300. The decrease in payments is mostly due to the county retiring more debt in recent years than taking on as new debt. In anticipation of higher debt issues in 2019-2020, the county has retired more principal in 2014-2018 by \$9.6 million.

Debt Service is funded primarily with property tax levy, which is budgeted to increase by \$350,000 to \$14,254,500. Remaining revenues consist of fund balance of \$690,279, as follows:

- **Debt Service Fund Balance:** Prior-year investment income of \$81,000 and use of other Debt Service reserves of \$49,279.
- **General Fund Balance:** \$350,000* and prior-year jail assessment fee reserves of \$210,000.

***General Fund Balance is reserved for the planned future use and phase-out in the Debt Service budget as follows: \$350,000 in 2020, \$300,000 in 2021, and \$100,000 in 2022.**



Debt Service Ratio

Debt service as a percent of total governmental operating expenditures, excluding proprietary funds and capital project funds, is a measure of the debt service impact to operations. As a fixed cost, debt issues are structured to maintain debt service at less than 10% 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 2020-2024 Five-Year Capital Projects Plan. Projected expenditures for governmental operations assume a 3.0% annual growth rate after 2020.

(Millions)	2018	2019	2020	2021	2022	2023	2024
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$210.3	\$223.7	\$233.3	\$240.2	\$247.0	\$254.3	\$261.8
Debt Ser.**	\$14.6	\$14.5	\$14.9	\$15.3	\$15.4	\$15.7	\$16.0
Ratio (%) of Debt to Oper	7.0%	6.5%	6.4%	6.4%	6.2%	6.2%	6.1%

*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
2019 GOPN	2019	2029	\$17,500,000	2.12%	\$17,500,000
2018 GOPN	2018	2028	\$12,500,000	2.60%	\$11,900,000
2017 GOPN	2017	2027	\$10,000,000	1.83%	\$9,150,000
2016 GOPN	2016	2026	\$11,500,000	1.52%	\$9,215,000
2015 GOPN	2015	2025	\$10,000,000	1.57%	\$8,100,000
2014 GOPN	2014	2024	\$10,000,000	1.74%	\$6,400,000
2013 GOPN	2013	2023	\$17,000,000	1.64%	\$8,650,000
2012 GOPN	2012	2022	\$20,000,000	1.64%	\$6,200,000
2011 GOPN (b)	2011	2021	\$19,490,000	1.81%	\$1,500,000
2010 GOPN	2010	2020	\$9,000,000	1.93%	\$715,000
			TOTAL DEBT 12/31/19		\$79,330,000
			2020 ISSUE		\$18,000,000
			TOTAL DEBT (c)		\$97,330,000

(a) GOPN=General Obligation Promissory Note

(b) 2011 includes refunding of \$9.9 million balance of 2003 and 2004 debt issues, of which these portions are paid off.

(c) The 2020 budget will reduce the outstanding debt with the budgeted principal payment of \$12,665,000 to \$84,665,000.

Outstanding Debt Limit

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

	2018 Budget Year	2019 Budget Year	2020 Budget Year
Equalized Value (d)	\$54,158,131,600	\$56,536,637,800	\$59,540,912,600
Debt Limit (5% x equalized value)	\$2,707,906,580	\$2,826,831,890	\$2,977,045,630
Outstanding Debt (e)	\$87,625,000	\$92,095,000	\$97,330,000
Available Debt Limit	\$2,620,281,580	\$2,734,736,890	\$2,879,715,630
Percent of Debt Limit Available	96.8%	96.7%	96.7%

(d) Total county equalized value including tax incremental districts for budget year purposes.

(e) Includes anticipated 2020 debt issue of \$18.0 million.

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Schedule

SCHEDULE OF CURRENT AND PLANNED DEBT SERVICE REQUIREMENTS

	2010 GOPN	2011 GOPN	2012 GOPN	2013 GOPN	2014 GOPN	2015 GOPN	2016 GOPN	2017 GOPN	2018 GOPN	2019 GOPN	2020 GOPN	Total
2020												
Principal	715,000	1,000,000	2,500,000	2,350,000	1,500,000	1,400,000	1,000,000	600,000	700,000	900,000		12,665,000
Interest*	14,479	26,250	100,625	159,500	118,000	144,500	199,750	177,800	339,250	474,625	525,000	2,279,779
2020 Budget Total	\$729,479	\$1,026,250	\$2,600,625	\$2,509,500	\$1,618,000	\$1,544,500	\$1,199,750	\$777,800	\$1,039,250	\$1,374,625	\$525,000	\$14,944,779
2021												
Principal		500,000	2,400,000	2,300,000	1,500,000	1,600,000	1,210,000	750,000	700,000	1,000,000	900,000	12,860,000
Interest		6,875	51,625	113,000	88,000	118,000	171,600	164,300	320,000	441,125	630,000	2,104,525
2022												
Principal			1,300,000	2,000,000	1,400,000	1,600,000	1,335,000	1,200,000	1,100,000	1,200,000	1,200,000	12,335,000
Interest			13,813	67,500	59,000	86,000	133,425	144,800	295,750	403,125	598,500	1,801,913
2023												
Principal				2,000,000	1,200,000	1,500,000	1,360,000	1,500,000	1,300,000	1,400,000	1,400,000	11,660,000
Interest				22,500	31,500	55,000	99,800	117,800	262,500	364,125	556,500	1,509,725
2024												
Principal					800,000	1,200,000	1,395,000	1,600,000	1,700,000	2,200,000	1,800,000	10,695,000
Interest					9,000	28,000	72,250	86,800	217,500	310,125	507,500	1,231,175
2025												
Principal						800,000	1,435,000	1,300,000	1,900,000	2,300,000	2,000,000	9,735,000
Interest						8,000	43,950	58,450	163,500	242,625	444,500	961,025
2026												
Principal							1,480,000	1,200,000	1,700,000	2,300,000	2,100,000	8,780,000
Interest							14,800	33,800	109,500	173,625	374,500	706,225
2027												
Principal								1,000,000	1,500,000	2,200,000	2,500,000	7,200,000
Interest								10,750	61,500	115,750	301,000	489,000
2028												
Principal									1,300,000	2,100,000	2,300,000	5,700,000
Interest									19,500	68,750	213,500	301,750
2029												
Principal										1,900,000	2,200,000	4,100,000
Interest										22,563	133,000	155,563
2030												
Principal											1,600,000	1,600,000
Interest											56,000	56,000
Total Principal	\$715,000	\$1,500,000	\$6,200,000	\$8,650,000	\$6,400,000	\$8,100,000	\$9,215,000	\$9,150,000	\$11,900,000	\$17,500,000	\$18,000,000	\$97,330,000
Total Interest	\$14,479	\$33,125	\$166,063	\$362,500	\$305,500	\$439,500	\$735,575	\$794,500	\$1,789,000	\$2,616,438	\$4,340,000	\$11,596,680
Total Payment	\$729,479	\$1,533,125	\$6,366,063	\$9,012,500	\$6,705,500	\$8,539,500	\$9,950,575	\$9,944,500	\$13,689,000	\$20,116,438	\$22,340,000	\$108,926,680

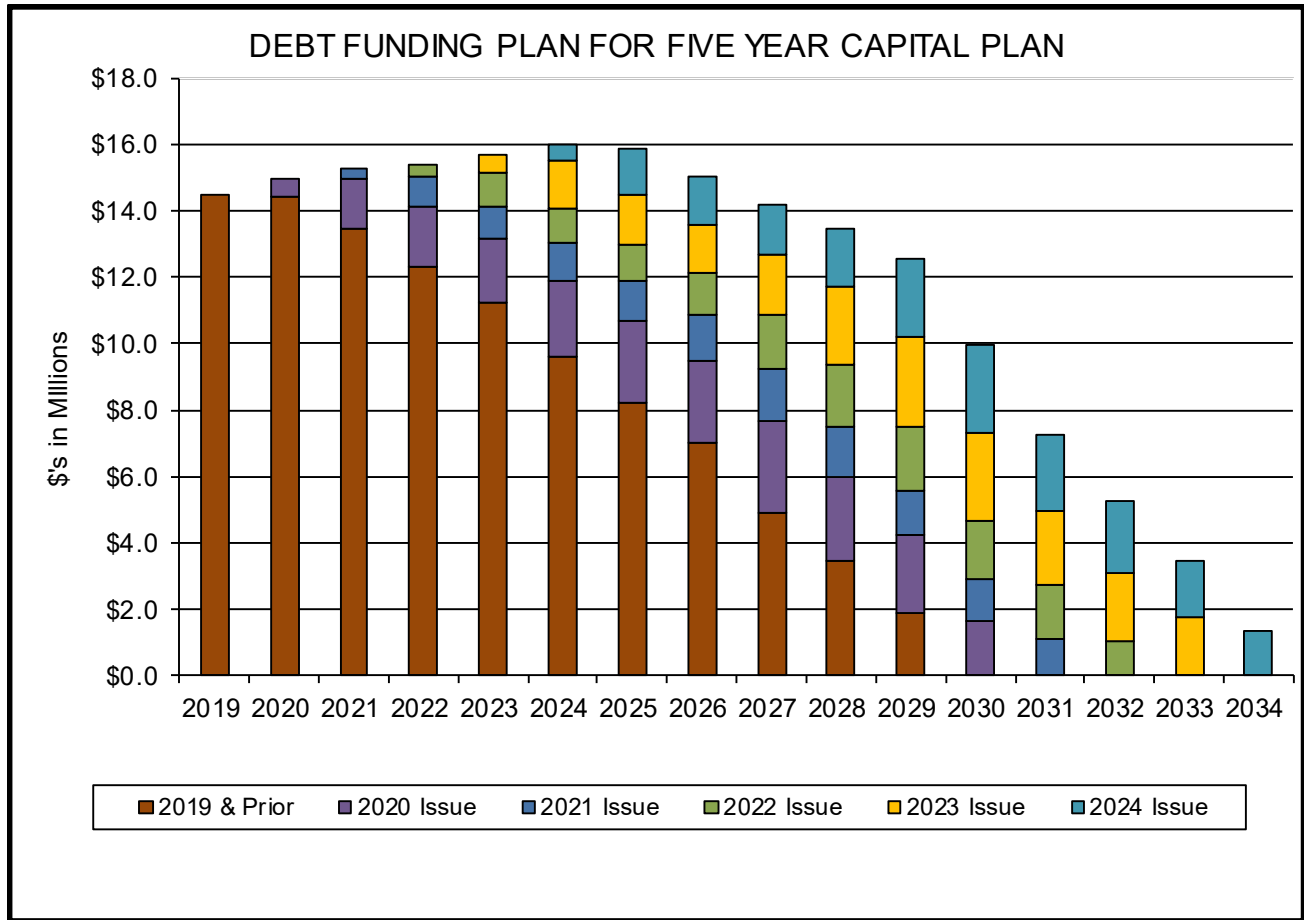
*Interest assumption (true interest cost – TIC) for the 2020 issue is estimated at 3.5%

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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 ratio earlier in this budget.)



	2020 Budget	2021 5 - Year Plan	2022 5 - Year Plan	2023 5 - Year Plan	2024 5 - Year Plan
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Capital Plan Project Costs	\$27,794,700	\$17,554,400	\$16,657,400	\$21,589,000	\$19,398,000
Capital Plan Funding					
Project Specific Revenues & Proprietary Fund Balance (a)	\$2,526,800	\$3,109,000	\$790,000	\$790,000	\$0
Tax levy/Current Funds (b)	\$6,927,900	\$4,215,400	\$4,097,400	\$4,399,000	\$4,018,000
Investment Income	\$340,000	\$230,000	\$270,000	\$400,000	\$380,000
Borrowed Funds	<u>\$18,000,000</u>	<u>\$10,000,000</u>	<u>\$11,500,000</u>	<u>\$16,000,000</u>	<u>\$15,000,000</u>
Total Capital Plan Funding	\$27,794,700	\$17,554,400	\$16,657,400	\$21,589,000	\$19,398,000
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	3.50%	3.75%	3.75%	4.00%	4.00%
Planned Bond Issue	\$18,000,000	\$10,000,000	\$11,500,000	\$16,000,000	\$15,000,000

(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.

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