

Debt Service

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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. Beginning in 2022, the county will also borrow for vehicle replacement. Also beginning in 2022, the Debt Service budget will account for bond issuance costs (previously budgeted in the Capital Project Fund), which includes the cost of bond counsel, the county's financial advisor, and rating agency review. 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.

The county will also use debt borrowing to purchase certain vehicles and equipment planned for in the Vehicle Replacement Plan Fund. Departmental contributions toward vehicle replacement will be used to fund principal payments on the related debt. Debt issued for vehicles will be conservatively paid back over seven-year terms (before the next replacement is needed), but will be structured within the same ten-year promissory notes issued for capital projects to avoid the need for separate debt issuances during the same year.

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 and vehicle replacement expenditures for governmental fund operations.

<u>Expenditures</u>	<u>2020 Actual</u>	<u>2021 Budget</u>	<u>2021 Estimate</u>	<u>Impact of</u>			
				<u>2022 Based</u> <u>on Prior Years</u>	<u>2022</u> <u>Issue</u>	<u>2022 Budget</u>	<u>Budget</u> <u>Change</u>
Principal	\$12,665,000 (a)	\$12,905,000	\$12,905,000	\$13,129,000	\$0	\$13,129,000	\$224,000
Interest Expense	\$1,819,599	\$1,968,594	\$1,737,311	\$1,617,379	\$235,417	\$1,852,796	(\$115,798)
Cost of Issuance	\$36,125	\$0	\$0	\$0	\$100,000	\$100,000	\$100,000
TOTAL DEBT	\$14,520,724	\$14,873,594	\$14,642,311	\$14,746,379	\$335,417	\$15,081,796	\$208,202
Fund Balance	\$266,224	\$560,875 (b)	\$329,592	\$325,458 (c)	\$235,417	\$560,875	\$0
TAX LEVY	\$14,254,500	\$14,312,719	\$14,312,719	\$14,420,921	\$100,000	\$14,520,921	\$208,202

- (a) The 2020 actuals exclude the refinancing of the \$10.5 million balance of 2011, 2012, and 2013 debt issues.
- (b) The 2021 budget includes fund balance from the following sources: Prior-year jail assessment fee revenues of \$50,000, General Fund balance of \$300,000, and Debt Service Fund balance of \$210,875.
- (c) The 2022 budget includes fund balance from the following sources: Debt Service Fund balance of \$460,875 and General Fund balance of \$100,000.

Program Highlights

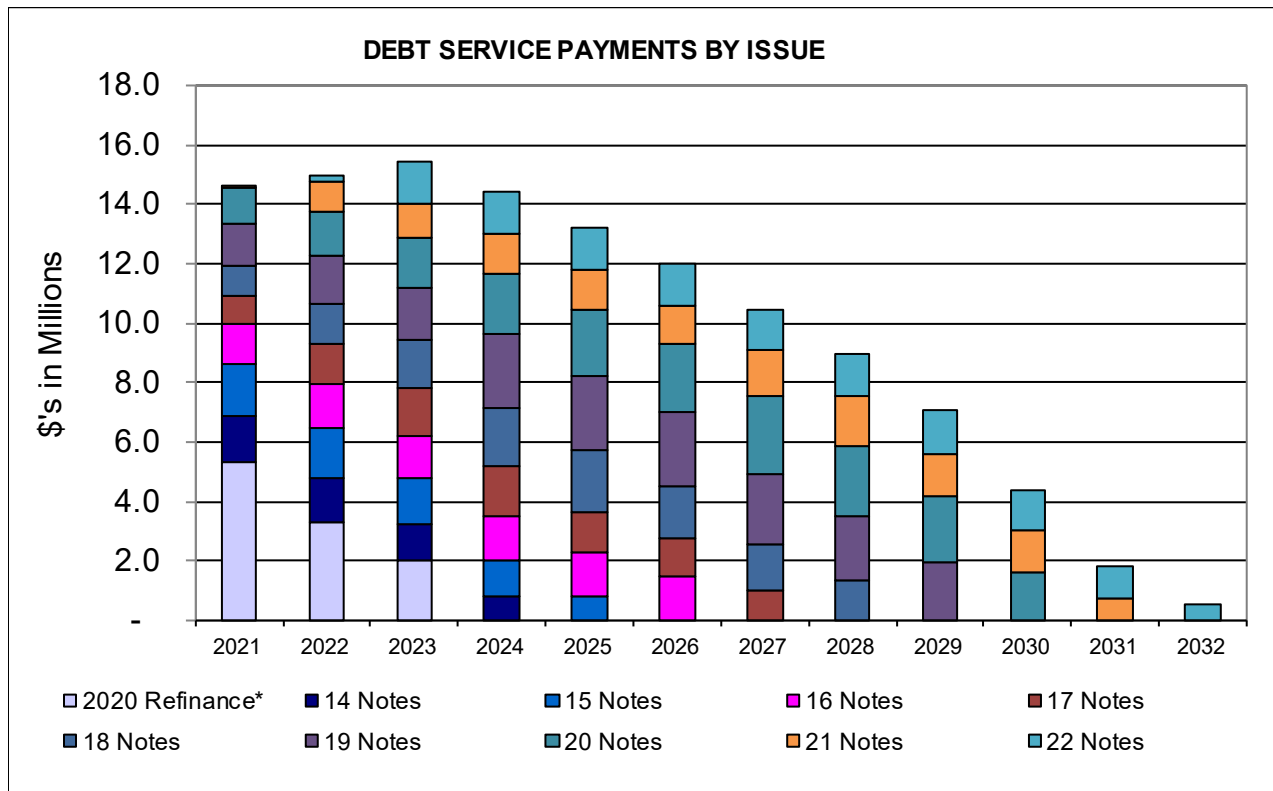
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (10 years) promissory notes amortized by integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take 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 2022, debt service expenditures are projected to increase by \$208,200, and includes an increase in principal payments by \$224,000. In addition, beginning in 2022, the Debt Service budget will account for bond issuance costs, estimated at \$100,000, which includes the cost of bond counsel, the county’s financial advisor, and rating agency review. Previously, these costs were budgeted for in the Capital Project Fund.

Also beginning in 2022, the county will use debt borrowing to purchase certain vehicles and equipment planned for in the Vehicle Replacement Plan Fund. Borrowing for vehicle replacement makes up \$1.8 million of the \$11.3 million bond issue planned for 2022. Departmental contributions toward vehicle replacement will be used to fund principal payments on the related debt. The first principal payment on this borrowing will mature in 2023. Interest payable in 2022 for this bond issue is conservatively estimated at \$235,400 (including \$37,500 related to vehicle replacement), but overall budgeted interest expenses decrease \$115,800, largely due to low interest rates received for recent bond issues.

Debt Service is funded primarily with property tax levy, which is budgeted to increase by \$208,200 to \$15,081,800. Remaining revenues consist of fund balance of \$560,875, including Debt Service Fund balance of \$460,875 and General Fund balance of \$100,000.

***General Fund Balance is reserved for the planned future use and phase-out in the Debt Service budget as follows: \$100,000 in 2022, \$100,000 in 2023, and \$100,000 in 2024.**



*2020 Refinancing Notes includes refinancing of \$10.5 million balance of 2011, 2012, and 2013 debt issues.

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 2022-2026 Five-Year Capital Projects Plan and interest on vehicle and equipment replacements. Debt Service figures below exclude principal payments on vehicle and equipment replacement, which is funded through contributions from the Vehicle Replacement Fund. Projected expenditures for governmental operations assume a 3.0% annual growth rate after 2022.

(Millions)	2020	2021	2022	2023	2024	2025	2026
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.(a)	\$225.8	\$242.9	\$247.2	\$254.4	\$261.9	\$269.7	\$277.8
Debt Ser.(b)(c)	\$14.5	\$14.6	\$15.1	\$15.4	\$15.7	\$16.1	\$16.6
Ratio (%) of Debt t	6.4%	6.0%	6.1%	6.0%	6.0%	6.0%	6.0%

- (a) Excludes proprietary fund operating expenditures.
 (b) Does not include refunding and debt redemption activity.
 (c) Net of Vehicle Replacement Plan contributions.

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
2021 GOPN	2021	2031	\$12,000,000	0.93%	\$12,000,000
2020 GOPN	2020	2030	\$18,000,000	1.12%	\$17,100,000
2019 GOPN	2019	2029	\$17,500,000	2.12%	\$15,600,000
2018 GOPN	2018	2028	\$12,500,000	2.60%	\$10,500,000
2017 GOPN	2017	2027	\$10,000,000	1.83%	\$7,800,000
2016 GOPN	2016	2026	\$11,500,000	1.52%	\$7,005,000
2015 GOPN	2015	2025	\$10,000,000	1.57%	\$5,100,000
2014 GOPN	2014	2024	\$10,000,000	1.74%	\$3,400,000
2020 REFINANCE (b)	2020	2023	\$10,513,000	0.85%	\$5,268,000
TOTAL DEBT 12/31/21					\$83,773,000
2022 ISSUE					\$11,300,000
TOTAL DEBT (c)					\$95,073,000

- (a) GOPN=General Obligation Promissory Note
 (b) 2020 includes refinancing the \$10.5 million balance of 2011, 2012, and 2013 debt issues.
 (c) The 2022 budget will reduce the outstanding debt with the budgeted principal payment of \$13,129,000 to \$81,944,000 before the 2022 issue.

Outstanding Debt Limit

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

	2020 Budget Year	2021 Budget Year	2022 Budget Year
Equalized Value (d)	\$59,540,912,600	\$62,620,157,900	\$66,686,337,700
Debt Limit (5% x equalized value)	\$2,977,045,630	\$3,131,007,895	\$3,334,316,885
Outstanding Debt (e)	\$97,330,000	\$96,678,000	\$95,073,000
Available Debt Limit	\$2,879,715,630	\$3,034,329,895	\$3,239,243,885
Percent of Debt Limit Available	96.7%	96.9%	97.1%

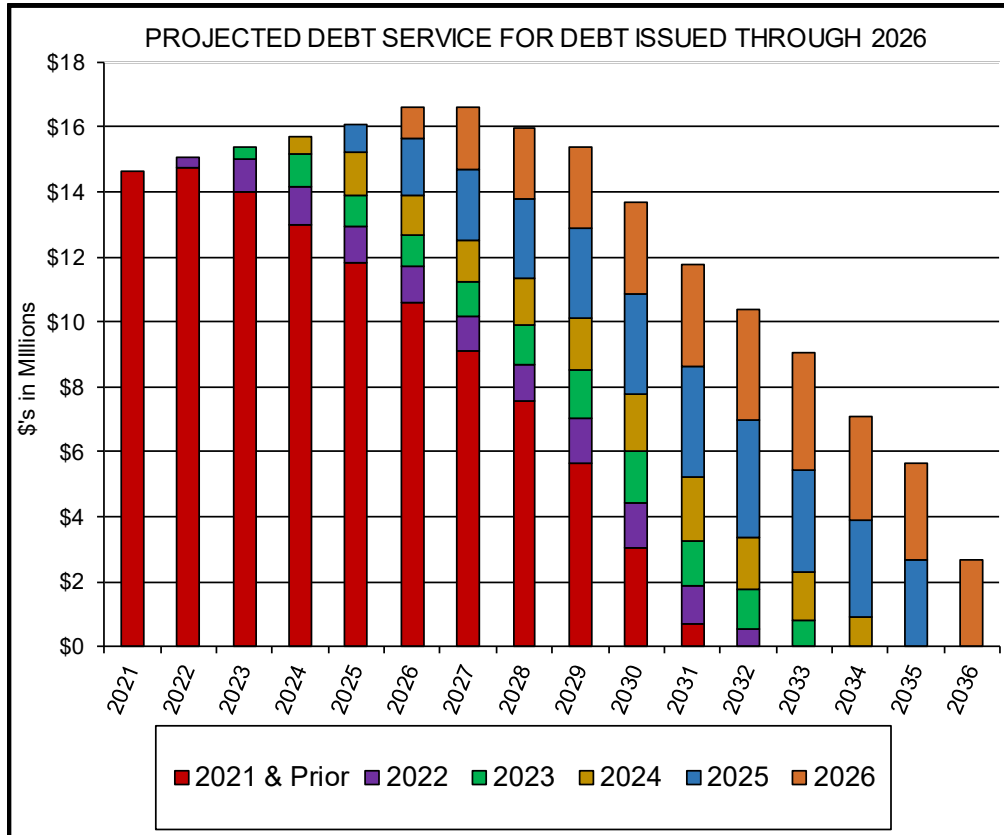
- (d) Total county equalized value including tax incremental districts for budget year purposes.
 (e) Includes anticipated 2022 debt issue of \$11.3 million.

SCHEDULE OF CURRENT AND PLANNED DEBT SERVICE REQUIREMENTS

	2020 GOPN REFINANCE	2014 GOPN	2015 GOPN	2016 GOPN	2017 GOPN	2018 GOPN	2019 GOPN	2020 GOPN	2021 GOPN	2022 GOPN	Total
<u>2022</u>											
Principal	3,294,000	1,400,000	1,600,000	1,335,000	1,200,000	1,100,000	1,200,000	1,200,000	800,000		13,129,000
Interest	30,779	59,000	86,000	133,425	144,800	295,750	403,125	286,500	178,000	235,417	1,852,796
2022 Budget Total	\$3,324,779	\$1,459,000	\$1,686,000	\$1,468,425	\$1,344,800	\$1,395,750	\$1,603,125	\$1,486,500	\$978,000	\$235,417	\$14,981,796
<u>2023</u>											
Principal	1,974,000	1,200,000	1,500,000	1,360,000	1,500,000	1,300,000	1,400,000	1,400,000	1,000,000	1,150,000	13,784,000
Interest	8,390	31,500	55,000	99,800	117,800	262,500	364,125	270,250	160,000	282,500	1,651,865
<u>2024</u>											
Principal		800,000	1,200,000	1,395,000	1,600,000	1,700,000	2,200,000	1,800,000	1,200,000	1,160,000	13,055,000
Interest		9,000	28,000	72,250	86,800	217,500	310,125	250,250	138,000	253,750	1,365,675
<u>2025</u>											
Principal			800,000	1,435,000	1,300,000	1,900,000	2,300,000	2,000,000	1,200,000	1,160,000	12,095,000
Interest			8,000	43,950	58,450	163,500	242,625	226,500	118,500	224,750	1,086,275
<u>2026</u>											
Principal				1,480,000	1,200,000	1,700,000	2,300,000	2,100,000	1,200,000	1,160,000	11,140,000
Interest				14,800	33,800	109,500	173,625	193,000	105,000	195,750	825,475
<u>2027</u>											
Principal					1,000,000	1,500,000	2,200,000	2,500,000	1,500,000	1,160,000	9,860,000
Interest					10,750	61,500	115,750	147,000	87,750	166,750	589,500
<u>2028</u>											
Principal						1,300,000	2,100,000	2,300,000	1,600,000	1,260,000	8,560,000
Interest						19,500	68,750	99,000	64,500	137,750	389,500
<u>2029</u>											
Principal							1,900,000	2,200,000	1,400,000	1,350,000	6,850,000
Interest							22,563	54,000	42,000	106,250	224,813
<u>2030</u>											
Principal								1,600,000	1,400,000	1,300,000	4,300,000
Interest								16,000	21,000	72,500	109,500
<u>2031</u>											
Principal									700,000	1,100,000	1,800,000
Interest									5,250	40,000	45,250
<u>2032</u>											
Principal										500,000	500,000
Interest										12,500	12,500
Total Principal	\$5,268,000	\$3,400,000	\$5,100,000	\$7,005,000	\$7,800,000	\$10,500,000	\$15,600,000	\$17,100,000	\$12,000,000	\$11,300,000	\$95,073,000
Total Interest	\$39,169	\$99,500	\$177,000	\$364,225	\$452,400	\$1,129,750	\$1,700,688	\$1,542,500	\$920,000	\$1,727,917	\$8,153,149
Total Payment	\$5,307,169	\$3,499,500	\$5,277,000	\$7,369,225	\$8,252,400	\$11,629,750	\$17,300,688	\$18,642,500	\$12,920,000	\$13,027,917	\$103,226,149

*Interest assumption (true interest cost – TIC) for the 2022 issue is estimated at 2.5%

Future debt service is projected based on capital expenditures planned for in the County's five-year capital plan. The chart below also includes the estimated cost of issuance (e.g., bond counsel, bond rating review) and interest on vehicle replacements. Principal costs related to vehicle replacement are funded through contributions from the Vehicle Replacement Fund and are excluded from the chart. 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.)



Note: Principal costs related to vehicle replacement are funded through contributions from the Vehicle Replacement Fund and are excluded from the chart.

	2022	2023	2024	2025	2026
	Budget	5 - Year Plan	5 - Year Plan	5 - Year Plan	5 - Year Plan

Capital Plan Project Costs	\$26,716,000	\$33,449,600	\$27,967,400	\$32,237,000	\$30,567,800
Capital Plan Funding					
Project Specific Revenues & Proprietary Fund Balance (a)	\$3,305,300	\$3,249,600	\$70,000	\$3,178,600	\$65,000
Tax levy/Current Funds (b)	\$13,790,700	\$19,920,000	\$15,557,400	\$5,248,400	\$6,692,800
Investment Income	\$120,000	\$280,000	\$340,000	\$810,000	\$810,000
Borrowed Funds (c)	<u>\$9,500,000</u>	<u>\$10,000,000</u>	<u>\$12,000,000</u>	<u>\$23,000,000</u>	<u>\$23,000,000</u>
Total Capital Plan Funding	\$26,716,000	\$33,449,600	\$27,967,400	\$32,237,000	\$30,567,800
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	2.50%	2.50%	3.00%	3.00%	3.50%
Planned Bond Issue	\$9,500,000	\$10,000,000	\$12,000,000	\$23,000,000	\$23,000,000

- (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.
- (c) Does not include borrowing for vehicle replacements.

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