

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. The county began borrowing for vehicle replacement in the 2022 budget. Also beginning in 2022, the Debt Service budget accounts 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 also uses 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>2022 Actual</u>	<u>2023 Budget</u>	<u>2023 Estimate</u>	<u>2024 Based on</u>	<u>Impact of</u>		
				<u>Prior Years</u>	<u>2024 Issue</u>	<u>2024 Budget</u>	<u>Budget Change</u>
Principal	\$13,129,000	\$13,784,000	\$13,784,000	\$14,345,000	\$0	\$14,345,000	\$561,000
Interest Expense	\$1,747,061	\$2,251,115	\$1,958,737	\$1,928,088	\$416,000	\$2,344,088	\$92,973
Cost of Issuance	\$86,260	\$100,000	\$104,250	\$0	\$150,000	\$150,000	\$50,000
TOTAL DEBT	\$14,962,321	\$16,135,115	\$15,846,987	\$16,273,088	\$566,000	\$16,839,088	\$703,973
Fund Balance	\$441,400	\$1,010,875 (a)	\$722,747	\$994,875 (b)	\$416,000	\$1,410,875	\$400,000
TAX LEVY	\$14,520,921	\$15,124,240	\$15,124,240	\$15,278,213	\$150,000	\$15,428,213	\$303,973

(a) The 2023 budget includes fund balance from the following sources: Debt Service Fund balance of \$460,875 and General Fund balance of \$100,000, and Vehicle Replacement Plan departmental contributions of \$450,000.

(b) The 2024 budget includes fund balance from the following sources: Debt Service Fund balance of \$460,875 and General Fund balance of \$100,000, and Vehicle Replacement Plan departmental contributions of \$850,000.

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.

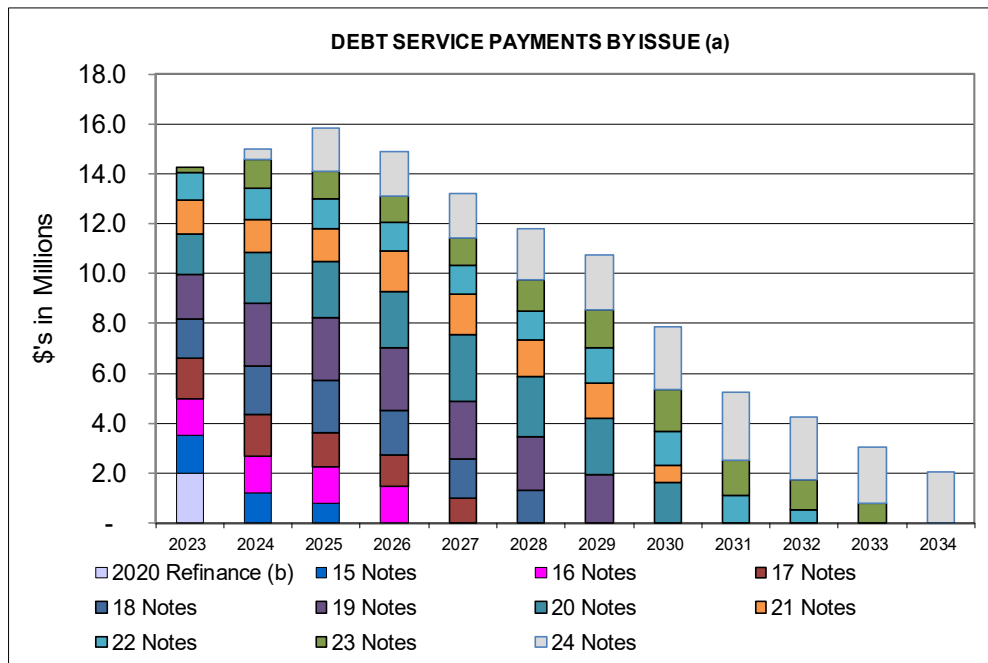
Beginning in 2022, the county started using debt borrowing to purchase certain vehicles and equipment planned for in the Vehicle Replacement Plan (VRP) Fund. Borrowing for vehicle replacement makes up \$3.8 million of the \$20.8 million bond issue planned for 2024, an increase of \$1.3 million. Departmental 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 2024. Borrowing for the capital plan increases \$7.0 million, from \$10.0 million in 2023 to \$17.0 million in 2024, largely for higher construction costs for the courthouse renovation project (#201705).

In 2024, debt service expenditures are projected to increase by \$704,000, and includes an increase in principal payments by \$561,000, largely due to the phasing in of newer VRP debt, which increases \$400,000 in 2024. Interest payable in 2024 for this bond issue is estimated at \$416,000 (including \$76,000 related to vehicle replacement). Overall budgeted interest expenses increase \$93,000, mostly due to the inclusion of debt for vehicle replacement and an increase in borrowing (mentioned above), partially offset by a lower assumed interest rate (4.0% in 2024 versus 4.5% budgeted in 2023).

Bond issuance costs include the cost of bond counsel, the county’s financial advisor, and rating agency reviews, and are budgeted to increase \$50,000 related to the larger bond issue in 2024.

Debt Service is funded primarily with property tax levy, which is budgeted to increase by \$304,000 to \$15,428,200. Remaining revenues consist of fund balance of \$1,410,900, including Debt Service Fund balance of \$460,900, General Fund balance of \$100,000, and departmental contributions toward vehicle replacement principal payments of \$850,000.

General Fund Balance is reserved for the planned future use and phase-out in the Debt Service budget as follows: \$100,000 in 2024, and \$100,000 in 2025.



- (a) Principal costs related to vehicle replacement are funded through contributions from the Vehicle Replacement Fund and are excluded from the chart.
- (b) 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 2024-2028 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. Most projected expenditures for governmental operations assume a 3.0% annual growth rate after 2024.

(Millions)	2022	2023	2024	2025	2026	2027	2028
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.(a)	\$238.2	\$260.6	\$276.2	\$279.8	\$288.0	\$296.4	\$305.4
Debt Ser.(b)(c)	\$15.0	\$15.4	\$16.0	\$16.6	\$17.3	\$18.0	\$18.6
Ratio (%) of Debt to Oper	6.3%	5.9%	5.8%	5.9%	6.0%	6.1%	6.1%

(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
2023 GOPN	2023	2033	\$12,500,000	2.89%	\$12,500,000
2022 GOPN	2022	2032	\$11,300,000	2.89%	\$10,150,000
2021 GOPN	2021	2031	\$12,000,000	0.93%	\$10,200,000
2020 GOPN	2020	2030	\$18,000,000	1.12%	\$14,500,000
2019 GOPN	2019	2029	\$17,500,000	2.12%	\$13,000,000
2018 GOPN	2018	2028	\$12,500,000	2.60%	\$8,100,000
2017 GOPN	2017	2027	\$10,000,000	1.83%	\$5,100,000
2016 GOPN	2016	2026	\$11,500,000	1.52%	\$4,310,000
2015 GOPN	2015	2025	\$10,000,000	1.57%	\$2,000,000
2014 GOPN	2014	2024	\$10,000,000	1.74%	\$800,000
TOTAL DEBT 12/31/23					\$80,660,000
2024 ISSUE					\$20,800,000
TOTAL DEBT (b)					<u>\$101,460,000</u>

(a) GOPN=General Obligation Promissory Note

(b) The 2024 budget will reduce the outstanding debt with the budgeted principal payment of \$14,345,000 to \$87,115,000 before the 2024 issue.

Outstanding Debt Limit

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

	2022 Budget Year	2023 Budget Year	2024 Budget Year
Equalized Value (d)	\$66,686,337,700	\$75,406,493,900	\$84,956,236,000
Debt Limit (5% x equalized value)	\$3,334,316,885	\$3,770,324,695	\$4,247,811,800
Outstanding Debt (e)	\$95,073,000	\$94,444,000	\$101,460,000
Available Debt Limit	\$3,239,243,885	\$3,675,880,695	\$4,146,351,800
Percent of Debt Limit Available	97.1%	97.5%	97.6%

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

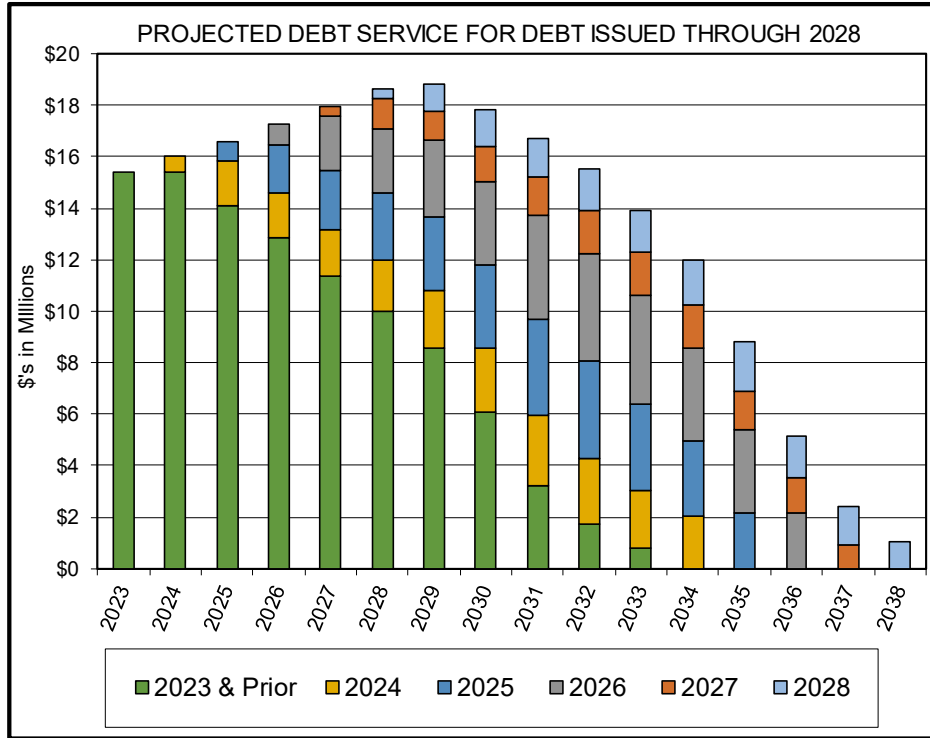
(d) Includes anticipated 2024 debt issue of \$20.8 million.

SCHEDULE OF CURRENT AND PLANNED DEBT SERVICE REQUIREMENTS

	2014 GOPN	2015 GOPN	2016 GOPN	2017 GOPN	2018 GOPN	2019 GOPN	2020 GOPN	2021 GOPN	2022 GOPN	2023 GOPN	2024 GOPN	Total
<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	\$1,290,000		\$14,345,000
Interest	\$9,000	\$28,000	\$72,250	\$86,800	\$217,500	\$310,125	\$250,250	\$138,000	\$366,800	\$449,363	\$416,000	\$2,344,088
2024 Budget Total	\$809,000	\$1,228,000	\$1,467,250	\$1,686,800	\$1,917,500	\$2,510,125	\$2,050,250	\$1,338,000	\$1,526,800	\$1,739,363	\$416,000	\$16,689,088
<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	1,060,000	1,530,000	14,685,000
Interest		8,000	43,950	58,450	163,500	242,625	226,500	118,500	320,400	407,200	801,400	2,390,525
<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	1,060,000	1,540,000	13,740,000
Interest			14,800	33,800	109,500	173,625	193,000	105,000	274,000	364,800	740,000	2,008,525
<u>2027</u>												
Principal				1,000,000	1,500,000	2,200,000	2,500,000	1,500,000	1,160,000	1,160,000	1,640,000	12,660,000
Interest				10,750	61,500	115,750	147,000	87,750	227,600	320,400	676,400	1,647,150
<u>2028</u>												
Principal					1,300,000	2,100,000	2,300,000	1,600,000	1,260,000	1,360,000	1,940,000	11,860,000
Interest					19,500	68,750	99,000	64,500	179,200	270,000	604,800	1,305,750
<u>2029</u>												
Principal						1,900,000	2,200,000	1,400,000	1,350,000	1,660,000	2,240,000	10,750,000
Interest						22,563	54,000	42,000	127,000	209,600	521,200	976,363
<u>2030</u>												
Principal							1,600,000	1,400,000	1,300,000	1,610,000	2,640,000	8,550,000
Interest							16,000	21,000	74,000	144,200	423,600	678,800
<u>2031</u>												
Principal								700,000	1,100,000	1,300,000	2,870,000	5,970,000
Interest								5,250	31,500	86,000	313,400	436,150
<u>2032</u>												
Principal									500,000	1,200,000	2,300,000	4,000,000
Interest									7,500	42,000	210,000	259,500
<u>2033</u>												
Principal										800,000	2,100,000	2,900,000
Interest										12,000	122,000	134,000
<u>2034</u>												
Principal											2,000,000	2,000,000
Interest											40,000	40,000
Total Principal	\$800,000	\$2,000,000	\$4,310,000	\$5,100,000	\$8,100,000	\$13,000,000	\$14,500,000	\$10,200,000	\$10,150,000	\$12,500,000	\$20,800,000	\$101,460,000
Total Interest	\$9,000	\$36,000	\$131,000	\$189,800	\$571,500	\$933,438	\$985,750	\$582,000	\$1,608,000	\$2,305,563	\$4,868,800	\$12,220,851
Total Payment	\$809,000	\$2,036,000	\$4,441,000	\$5,289,800	\$8,671,500	\$13,933,438	\$15,485,750	\$10,782,000	\$11,758,000	\$14,805,563	\$25,668,800	\$113,680,851

*Interest assumption (true interest cost – TIC) for the 2024 issue is estimated at 4.0%

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.)



	2024 Budget	2025 5 - Year Plan	2026 5 - Year Plan	2027 5 - Year Plan (c)	2028 5 - Year Plan (c)
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Capital Plan					
Capital Plan Project Costs (c)	\$49,120,900	\$33,425,500	\$44,461,200	\$14,512,215	\$15,602,215
Capital Plan Funding					
Project Specific Revenues & Proprietary Fund Balance (a)	\$3,790,800	\$3,610,400	\$7,182,900	\$1,236,100	\$1,292,100
Tax levy/Current Funds (b)	\$27,736,100	\$6,033,100	\$10,394,300	\$1,902,115	\$1,902,115
Investment Income	\$594,000	\$782,000	\$884,000	\$374,000	\$408,000
Borrowed Funds	\$17,000,000	\$23,000,000	\$26,000,000	\$11,000,000	\$12,000,000
Total Capital Plan Funding	\$49,120,900	\$33,425,500	\$44,461,200	\$14,512,215	\$15,602,215
Vehicle/Equipment Replacement					
Replacement Costs	\$3,800,000	\$4,200,000	\$3,000,000	\$3,000,000	\$2,500,000
Replacement Borrowing	\$3,800,000	\$4,200,000	\$3,000,000	\$3,000,000	\$2,500,000
Total					
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	4.00%	4.00%	4.00%	4.00%	4.00%
Planned Bond Issue	\$20,800,000	\$27,200,000	\$29,000,000	\$14,000,000	\$14,500,000

(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) Current Five-Year Plan includes \$10.2 million and \$11.5 million of known project costs in 2027 and 2028. The estimates in this table are increased about \$4 million each year, anticipating more project needs will be known as those years approach.