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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. 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 with larger payments in the final years to integrate new debt with existing debt to achieve stability in annual payments and impact on future budgets.

The County uses debt borrowing to fund no more than 80 percent of net (after revenues applied) capital budget expenditures for a moderate term of between nine or ten years. This allows debt service to be managed to comprise no greater than 10% of total governmental operating expenditures. 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 2011 debt issue of \$20.0 million. See "Financial Management Policies" - Revenues and Debt Policies.

By State Statute, there is 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).

General Debt Service Fund

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

<u>Expenditures</u>	<u>2010 Actual</u>	<u>2011 Budget</u>	<u>2011 Estimate (a)</u>	<u>2012 Based on</u> <u>Prior Years</u>	<u>Impact of</u> <u>2012 Issue</u>	<u>2012 Budget</u>	<u>Budget Change</u>
Principal (a)	\$10,925,000	\$11,885,000	\$11,885,000	\$11,995,000 (b)		\$11,995,000	\$110,000
Interest Expense	\$2,499,280	\$2,724,386	\$2,375,230	\$2,003,898 (b)	\$700,000	\$2,703,898	(\$20,488)
TOTAL DEBT	\$13,424,280	\$14,609,386	\$14,260,230	\$13,998,898	\$700,000	\$14,698,898	\$89,512
Fund Balance (c)		\$126,325	\$126,325	\$125,549 (c)	\$0	\$125,549	(\$776)
Fund balance	\$419,280	\$1,178,061 (d)	\$828,905	\$1,158,349 (e)	\$0	\$1,158,349	(\$19,712)
TAX LEVY	\$13,005,000	\$13,305,000	\$13,305,000	\$12,715,000	\$700,000	\$13,415,000	\$110,000

- (a) Does not include 2011 refunding payoff of \$9.9 million balance of 2003 and 2004 debt issues.
- (b) Includes \$70,000 of principal pay down, offset with interest savings from the refunding of the 2005 debt issue authorized by County Board ordinance in October 2011.
- (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) 2011 Budget includes designated jail assessment revenue from prior years of \$550,000, investment income (prior year revenue) of \$353,000 and \$275,061 of debt service fund balance.
- (e) 2012 Budget includes designated jail assessment revenue from prior years of \$500,000, investment income (prior year revenue) of \$300,000 and \$358,349 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 2012-2016 Five-Year Capital Projects Plan. Expenditures for 2009 include a \$15.2 million reduction in expenditures from 2008 reflecting the second year impact of the State takeover of the cost of care for adults with disabilities and the eligible elderly. Projected expenditures for governmental operations assume a 4.0% annual growth rate after 2012. The 2012 budget includes a \$2.45 million reduction due to the State Budget Repair Bill requiring most County employees to pay 50 percent of the Wisconsin Retirement System pension contributions, \$3.5 million reduction for a program transfer by the State to a third party vendor and other State reductions.

(Millions)	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual	Actual	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$205.3	\$186.5	\$190.1	\$198.8	\$196.9	\$204.7	\$213.2	\$221.9	\$230.8
Debt Ser.**	\$13.0	\$13.0	\$13.0	\$14.3	\$14.7	\$15.2	\$15.5	\$15.7	\$15.9
Ratio (%) of Debt to Oper	6.3%	7.0%	6.8%	7.2%	7.5%	7.4%	7.3%	7.1%	6.9%

*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
2011 GOPN (b)	2011	2021	\$19,490,000	1.81%	\$19,490,000
2011 Refunding (c)	2011	2015	\$6,635,000	1.19%	\$6,635,000
2010 GOPN (d)	2010	2020	\$9,000,000	1.93%	\$8,900,000
2009 GOPN (e)	2009	2019	\$15,700,000	2.70%	\$9,560,000
2008 GOPN (f)	2008	2018	\$10,000,000	3.28%	\$8,600,000
2007 GOPN	2007	2017	\$10,000,000	3.77%	\$7,900,000
2006 GOPN	2006	2016	\$12,000,000	4.05%	\$8,000,000
2005 GOPN (f)	2005	2015	\$14,400,000	3.79%	\$2,505,000
TOTAL DEBT 12/31/11					\$71,590,000
2012 BUDGET					\$20,000,000
TOTAL DEBT (g)					\$91,590,000

(a) GOPN=General Obligation Promissory Note

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

(c) 2011 refunding includes \$6,635,000 of the 2005 notes to be refunded in April, 2012 per County Board ordinance

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

(e) 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.

(f) 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.

(g) The 2012 budget will reduce the outstanding debt with the budgeted principal payment of \$11,925,000 to \$79,735,000.

Outstanding Debt Limit

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

	2010 Budget Year	2011 Budget Year	2012 Budget Year
Equalized Value (f)	\$52,111,509,500	\$50,288,874,200	\$49,552,562,500
Debt Limit (5% x equalized value)	\$2,605,575,475	\$2,514,443,710	\$2,477,628,125
Outstanding Debt (g)	\$75,085,000	\$71,590,000	\$91,590,000
Available Debt Limit	\$2,530,490,475	\$2,442,853,710	\$2,386,038,125
Percent of Debt Limit Available	97.1%	97.2%	96.3%

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

(h) Includes anticipated 2012 debt issue of \$20.0 million.

SCHEDULE OF CURRENT AND ADOPTED DEBT SERVICE REQUIREMENTS

	2005 Refunded GOPN	2006 GOPN	2007 GOPN	2008 GOPN	2009 GOPN	2010 GOPN	2011 GOPN	2012 GOPN	Total
<u>2012</u>									
Principal	2,575,000 *	1,600,000	1,200,000	400,000	2,360,000	200,000	3,660,000	0	11,995,000
Interest	248,300	289,375	282,125	281,650	242,725	278,998	380,725	700,000	2,703,898
2012 Budget Total									14,698,898
<u>2013</u>									
Principal	2,515,000	1,800,000	1,200,000	1,000,000	300,000	450,000	4,615,000	200,000	12,080,000
Interest	63,992	221,375	236,375	258,900	215,750	273,648	311,700	800,000	2,381,740
<u>2014</u>									
Principal	2,720,000	2,000,000	1,200,000	1,500,000	650,000	900,000	2,015,000	700,000	11,685,000
Interest	32,844	145,375	189,875	218,275	204,250	259,923	245,400	792,000	2,087,942
<u>2015</u>									
Principal	1,400,000	1,500,000	1,600,000	1,800,000	950,000	1,075,000	1,200,000	2,200,000	11,725,000
Interest	8,330	75,375	135,625	163,525	183,063	235,466	213,250	764,000	1,778,634
<u>2016</u>									
Principal		1,100,000	1,600,000	1,800,000	1,450,000	1,435,000	1,700,000	2,300,000	11,385,000
Interest		22,688	73,625	102,775	148,250	198,443	180,000	676,000	1,401,781
<u>2017</u>									
Principal			1,100,000	1,100,000	1,450,000	1,435,000	1,800,000	2,700,000	9,585,000
Interest			21,313	53,700	102,938	152,164	136,250	584,000	1,050,365
<u>2018</u>									
Principal				1,000,000	1,300,000	1,435,000	2,000,000	2,800,000	8,535,000
Interest				17,500	58,250	103,015	88,750	476,000	743,515
<u>2019</u>									
Principal					1,100,000	1,255,000	1,000,000	2,900,000	6,255,000
Interest					18,563	53,430	51,250	364,000	487,243
<u>2020</u>									
Principal						715,000	1,000,000	2,500,000	4,215,000
Interest						14,479	26,250	248,000	288,729
<u>2021</u>									
Principal							500,000	2,400,000	2,900,000
Interest							6,875	148,000	154,875
<u>2022</u>									
Principal								1,300,000	1,300,000
Interest								52,000	52,000
Total Principal	\$9,210,000	\$8,000,000	\$7,900,000	\$8,600,000	\$9,560,000	\$8,900,000	\$19,490,000	\$20,000,000	\$91,660,000
Total Interest	<u>\$353,466</u>	<u>\$754,188</u>	<u>\$938,938</u>	<u>\$1,096,325</u>	<u>\$1,173,789</u>	<u>\$1,569,566</u>	<u>\$1,640,450</u>	<u>\$5,604,000</u>	<u>\$13,130,722</u>
Total Payment	\$9,563,466	\$8,754,188	\$8,838,938	\$9,696,325	\$10,733,789	\$10,469,566	\$21,130,450	\$25,604,000	\$104,790,722

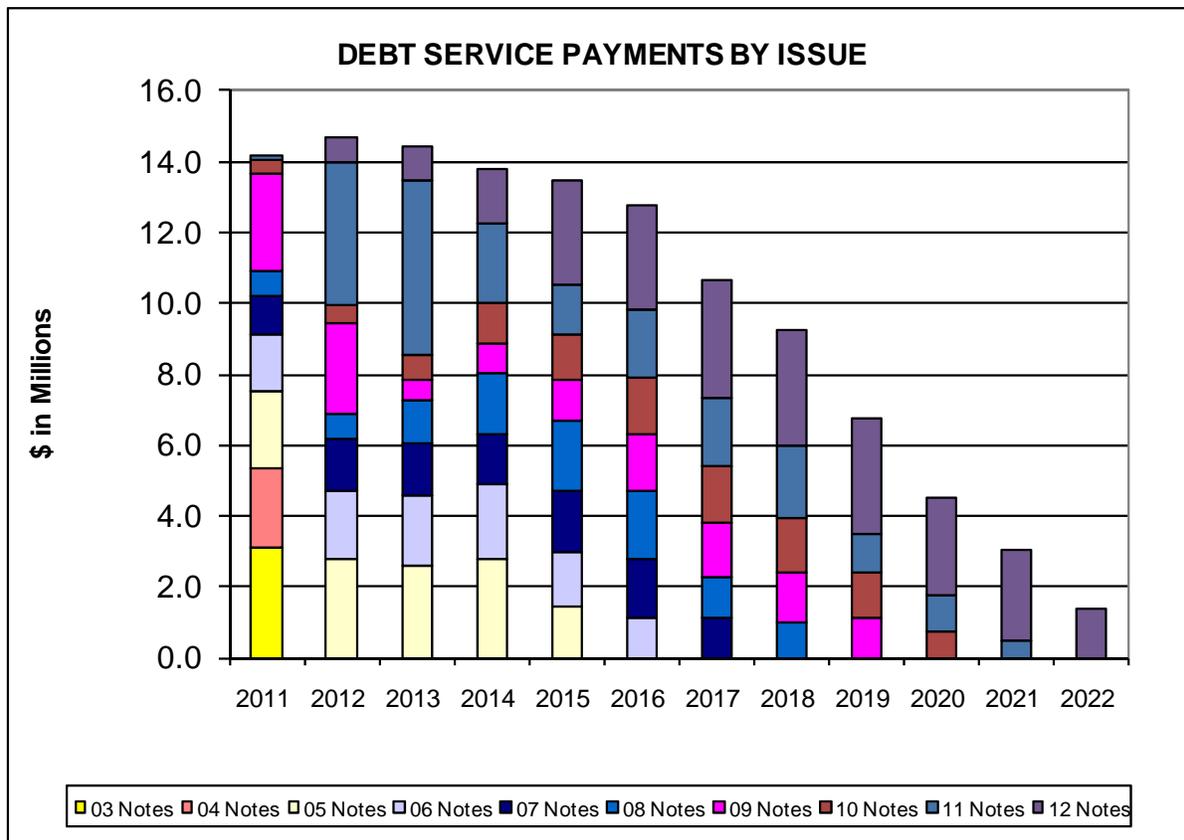
* Principal will change when refunding is executed in April 2012, reducing the principal outstanding by \$70,000.

DEBT SERVICE BY BOND ISSUE

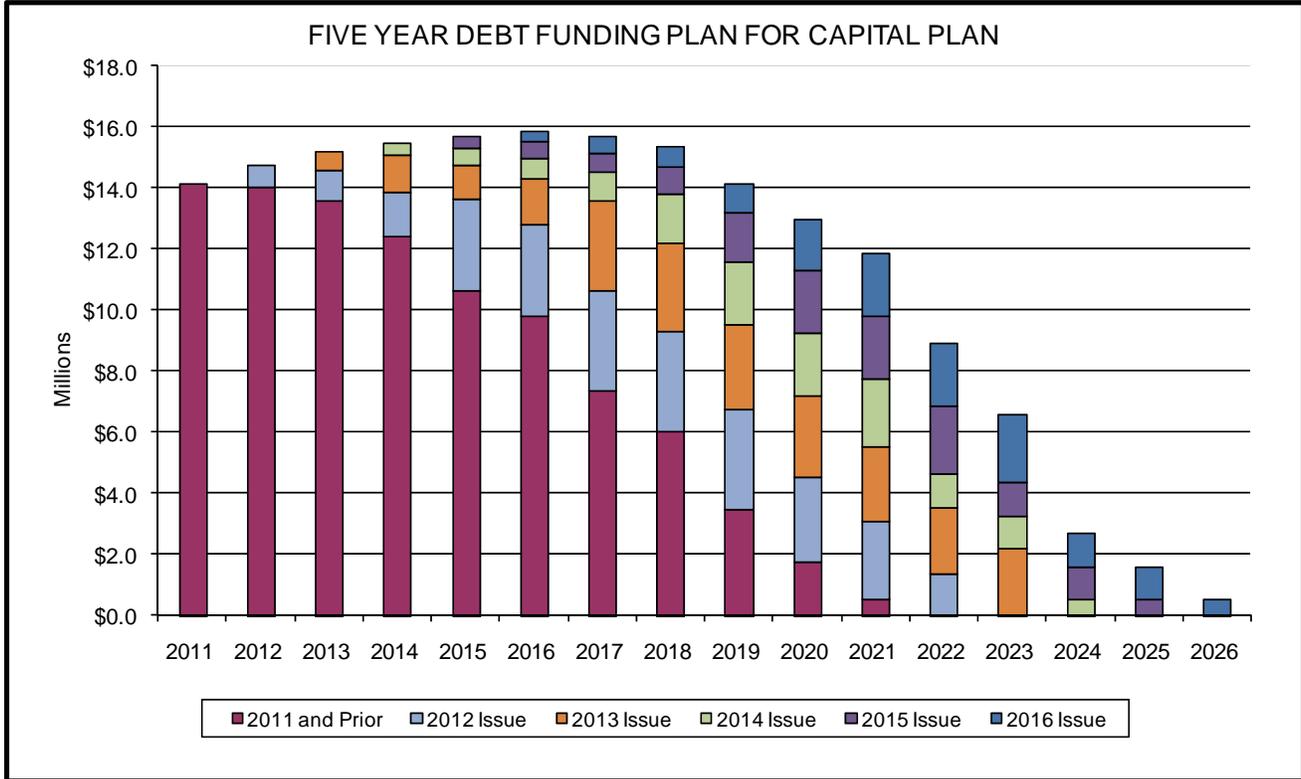
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (9 to 10 years) promissory notes amortized with larger payments in the final years to integrate new debt with existing debt. It is the County’s policy to maintain County infrastructure (roads, facilities, 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 increases in 2012 include interest expense of \$700,000 (assuming 4.0% annual rate for 10 months) on borrowing planned at \$20.0 million for 2012 capital projects. The 2012 issue is planned for a ten year term, therefore the County’s debt, to this point in time including the 2012 budget issue, is planned to be entirely paid off by the year 2022.

The County has taken action to reduce planned borrowing and refinanced past debt issues to prepare for anticipated large debt issues in 2012 and 2013 (See next page). 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 of \$256,000.



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)



2012 Budget *	2013 5- Year Plan	2014 5- Year Plan	2015 5- Year Plan	2016 5- Year Plan
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Capital Plan Project Costs	\$39,956,000	\$26,872,000	\$19,435,000	\$14,689,480	\$14,125,000
Capital Plan Funding					
Project Direct Funding Sources (a)	\$7,115,000	\$4,713,500	\$4,362,500	\$539,000	\$863,000
Investment Income on Cash Balances	\$700,000	\$600,000	\$400,000	\$400,000	\$400,000
Tax levy/Current Funds	\$12,141,000	\$4,558,500	\$4,672,500	\$3,750,480	\$2,862,000
Borrowed Funds	<u>\$20,000,000</u>	<u>\$17,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
Total Capital Plan Funding	\$39,956,000	\$26,872,000	\$19,435,000	\$14,689,480	\$14,125,000
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	4.00%	4.50%	4.50%	4.50%	4.50%
Planned Bond Issue	\$20,000,000	\$17,000,000	\$10,000,000	\$10,000,000	\$10,000,000

(a) Other funding for projects usually is identified as project year nears the budget appropriation year.

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