Debt Service

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Debt Service

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 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 2016 debt issue of $12.0 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.

Expenditures	2014 Actual (a)	2015 Budget		2015 Estimate	2016 Based on Prior Years		Impact of 2016 Issue	2016 Budget	Budget Change
Principal	$12,220,000	$12,635,000		$12,635,000	$12,705,000			$12,705,000	$70,000
Interest Expense	$1,897,312	$1,984,317		$1,800,806	$1,648,617		$300,000	$1,948,617	($35,700)
TOTAL DEBT	$14,117,312	$14,619,317		$14,435,806	$14,353,617		$300,000	$14,653,617	$34,300
Fund Balance	$907,312	$1,669,317	(b)	$1,485,806	$1,544,117	(c)	$0	$1,544,117	($125,200)
TAX LEVY	$13,210,000	$12,950,000		$12,950,000	$12,809,500		$300,000	$13,109,500	$159,500

(a) Does not include the 2014 refunding of $4.3 million for the 2007 issue. Since principal paydown was not changed in refunding, it would otherwise reflect a doubling of debt in years of refinancing.

(b) The 2015 Budget includes prior-year revenues as follows: Debt Service Investment Income of $120,000, Jail Assessment Fee revenues of 280,000, 2010 Buy America Bond – U.S. Treasury payment of $105,960 and Debt Service Fund Balance of $1,163,357.

(c) The 2016 Budget includes prior-year revenues as follows: Debt Service Investment Income of $120,000, Jail Assessment Fee revenues of $60,000, 2010 Buy America Bond – U.S. Treasury payment of $89,000, General Fund Balance of $450,000 and Debt Service Fund Balance of $825,117.

Program Highlights

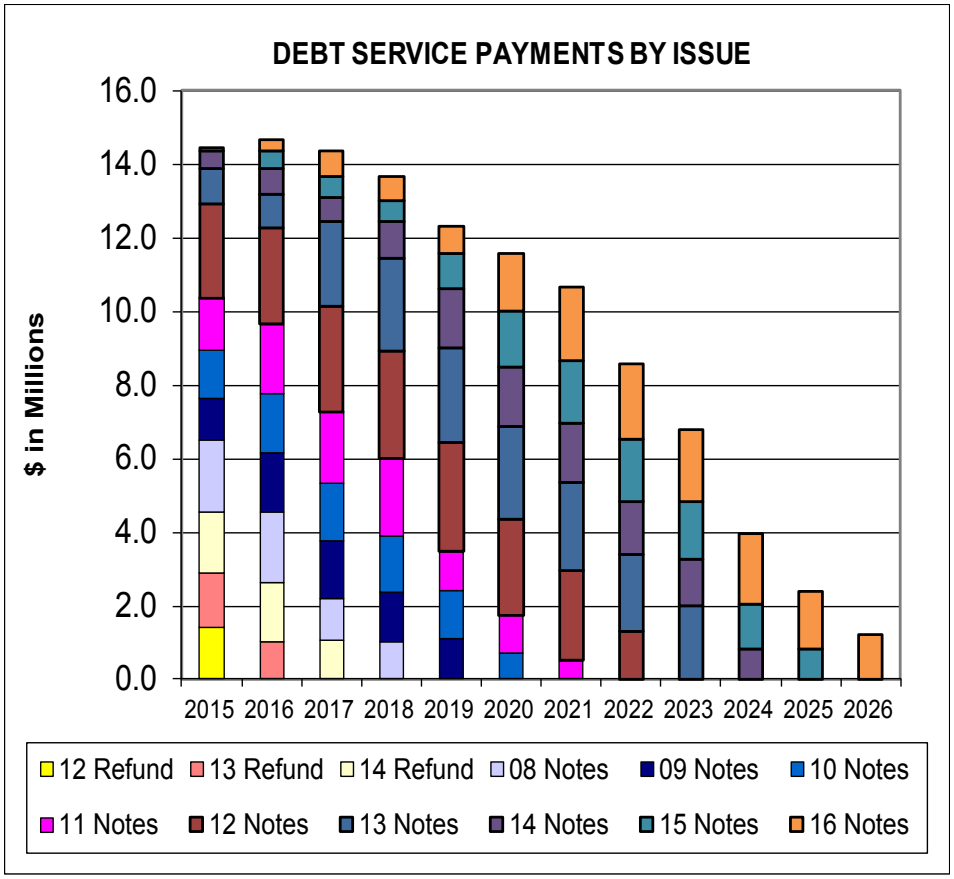
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (10 years) promissory notes amortized integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take advantage 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 $34,300 in 2016, including an increase in principal payments by $70,000 partially offset by a decrease in interest payments by about $35,700. Decreases in interest payments are mostly due to favorable rates obtained in bond issues and through refinancing of existing debt for the 2006 – 2007 issues and for lower interest rates than budgeted for the 2015 issue.

The County has taken action to reduce planned borrowing and refinanced past debt issues to prepare for the large debt issues in 2018 - 2020. The refunding of 2006 – 2007 issues reduced rates. 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. In anticipation of higher debt issues in 2018-2020, the County is retiring more principal in 2014 and 2015 and is planning to do so in 2016 and 2017, by a total of about $7.2 million

Debt Service is funded primarily with property tax levy, which is budgeted to increase by $159,500 to $13,109,500. Remaining revenues consist of fund balance of $1,544,117, as follows: **Debt Service Fund Balance**: Balance of $825,117, prior-year investment income of $120,000, Buy America Bond – U.S. Treasury rebate of $89,000; and **General Fund Balance**: $450,000* and Jail Assessment Fee reserves of $60,000. The $450,000 of General Fund Balance is budgeted since Jail Assessment Fee reserve application to debt service is reduced with the payoff of the bonds from the 2005 Jail addition.

***General Fund Balance is reserved for the planned future use and phase-out in the Debt Service budget as follows: $450,000 in 2016, $400,000 in 2017, $300,000 in 2018, $200,000 in 2019 and $100,000 in 2020.**



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 2016-2020 Five-Year Capital Projects Plan. Projected expenditures for governmental operations assume a 3.0% annual growth rate after 2016.

(Millions)	2014 Actual	2015 Estimate	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Gov. Oper.*	$196.1	$202.8	$211.0	$217.4	$223.9	$230.6	$237.5
Debt Ser.**	$14.1	$14.4	$14.7	$14.7	$14.6	$14.7	$15.5
Ratio (%) of Debt to Oper	7.2%	7.1%	6.9%	6.7%	6.5%	6.4%	6.5%

*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
2015 GOPN	2015	2025	$10,000,000	1.57%	$10,000,000
2014 GOPN	2014	2024	$10,000,000	1.74%	$9,700,000
2014 Refunding (b)	2014	2017	$4,255,000	0.80%	$2,625,000
2013 GOPN	2013	2023	$17,000,000	1.64%	$15,900,000
2013 Refunding (c)	2013	2016	$4,550,000	0.65%	$1,035,000
2012 GOPN	2012	2022	$20,000,000	1.64%	$16,600,000
2011 GOPN (d)	2011	2021	$19,490,000	1.81%	$8,000,000
2010 GOPN (e)	2010	2020	$9,000,000	1.93%	$6,275,000
2009 GOPN (f)	2009	2019	$15,700,000	2.70%	$5,300,000
2008 GOPN	2008	2018	$10,000,000	3.28%	$3,900,000
			TOTAL DEBT 12/31/15		$79,335,000
			2016 ISSUE		$12,000,000
			TOTAL DEBT (g)		$91,335,000

(a) GOPN=General Obligation Promissory Note
(b) 2014 refunding includes $4,255,000 of 2007 notes refunded.
(c) 2013 refunding includes $4,550,000 of 2006 notes refunded.
(d) 2011 includes refunding of $9.9 million balance of 2003 and 2004 debt issues.
(e) The 2010 Adopted Budget was reduced by $1,000,000 to offset related Capital Budget reductions.
(f) The 2009 issue includes $7.7 million to refinance debt issued in 2001 and 2002.
(g) The 2016 budget will reduce the outstanding debt with the budgeted principal payment of $12,705,000 to $78,630,000.

Outstanding Debt Limit

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

	2014 Budget Year	2015 Budget Year	2016 Budget Year
Equalized Value (h)	$47,217,366,700	$48,995,016,900	$50,187,624,500
Debt Limit (5% x equalized value)	$2,360,868,335	$2,449,750,845	$2,509,381,225
Outstanding Debt (i)	$94,235,000	$91,970,000	$91,335,000
Available Debt Limit	$2,266,633,335	$2,357,780,845	$2,418,046,225
Percent of Debt Limit Available	96.0%	96.2%	96.4%

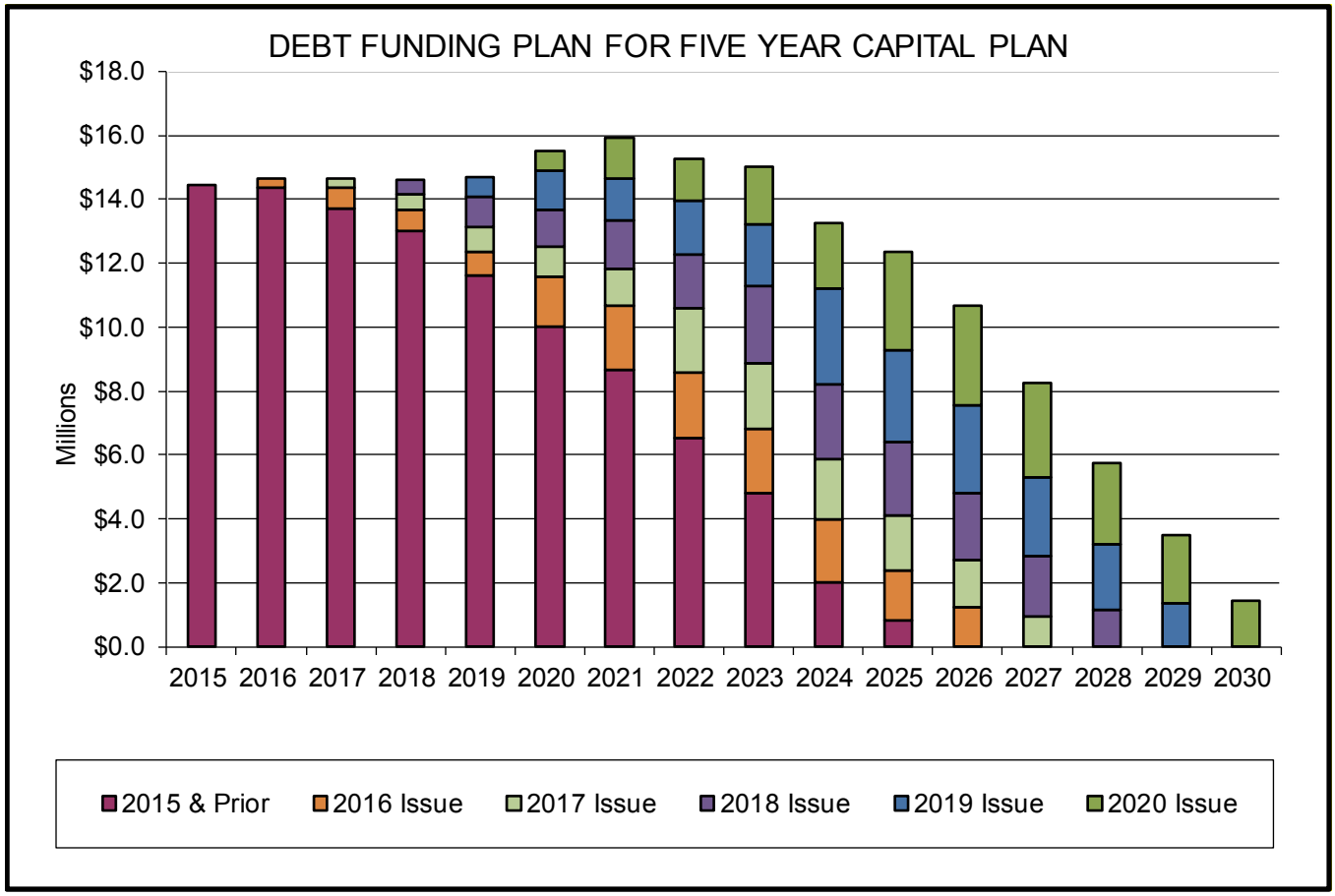
(h) Total County equalized value including Tax Incremental Districts for budget year purposes.
(i) Includes anticipated 2016 debt issue of $12.0 million.

SCHEDULE OF CURRENT AND PLANNED DEBT SERVICE REQUIREMENTS

	2013 REFUNDING (a)	2014 REFUNDING (b)	2008 GOPN	2009 GOPN	2010 GOPN	2011 GOPN (c)	2012 GOPN	2013 GOPN	2014 GOPN	2015 GOPN	2016 GOPN	Total
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	$0	12,705,000
Interest	3,364	14,660	102,775	148,250	198,443	180,000	310,625	322,000	194,000	$174,500	$300,000	1,948,617
2016 Budget Total												14,653,617
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	$300,000	12,625,000
Interest		4,160	53,700	102,938	152,164	136,250	261,625	296,000	184,000	$171,000	$360,000	1,721,837
2018												
Principal			1,000,000	1,300,000	1,435,000	2,000,000	2,700,000	2,300,000	800,000	$400,000	$300,000	12,235,000
Interest			17,500	58,250	103,015	88,750	208,625	253,000	171,000	$166,000	$351,000	1,417,140
2019												
Principal				1,100,000	1,255,000	1,000,000	2,800,000	2,350,000	1,500,000	$800,000	$400,000	11,205,000
Interest				18,563	53,430	51,250	153,625	206,500	148,000	$159,000	$342,000	1,132,368
2020												
Principal					715,000	1,000,000	2,500,000	2,350,000	1,500,000	$1,400,000	$1,200,000	10,665,000
Interest					14,479	26,250	100,625	159,500	118,000	$144,500	$330,000	893,354
2021												
Principal						500,000	2,400,000	2,300,000	1,500,000	$1,600,000	$1,700,000	10,000,000
Interest						6,875	51,625	113,000	88,000	$118,000	$294,000	671,500
2022												
Principal							1,300,000	2,000,000	1,400,000	$1,600,000	$1,800,000	8,100,000
Interest							13,813	67,500	59,000	$86,000	$243,000	469,313
2023												
Principal								2,000,000	1,200,000	$1,500,000	$1,800,000	6,500,000
Interest								22,500	31,500	$55,000	$189,000	298,000
2024												
Principal									800,000	$1,200,000	$1,800,000	3,800,000
Interest									9,000	$28,000	$135,000	172,000
2025												
Principal										$800,000	$1,500,000	2,300,000
Interest										$8,000	$81,000	89,000
2026												
Principal											$1,200,000	1,200,000
Interest											$36,000	36,000
Total Principal	$1,035,000	$2,625,000	$3,900,000	$5,300,000	$6,275,000	$8,000,000	$16,600,000	$15,900,000	$9,700,000	$10,000,000	$12,000,000	$91,335,000
Total Interest	$3,364	$18,820	$173,975	$328,001	$521,531	$489,375	$1,100,563	$1,440,000	$1,002,500	$1,110,000	$2,661,000	$8,849,129
Total Payment	$1,038,364	$2,643,820	$4,073,975	$5,628,001	$6,796,531	$8,489,375	$17,700,563	$17,340,000	$10,702,500	$11,110,000	$14,661,000	$100,184,129

(a) 2013 Refunding Issue includes $4.55 million of the 2006 notes refunded.
(b) 2014 Refunding Issue includes $4.255 million of the 2007 notes refunded.
(c) 2011 Issue of $19,490,000 includes refunding of $9.9 million balance of the 2003 and 2004 debt issues.

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)



	2016 Budget	2017 5 - Year Plan	2018 5 - Year Plan	2019 5 - Year Plan	2020 5 - Year Plan
Capital Plan Project Costs	$20,782,800	$17,135,900	$22,154,500	$23,197,000	$23,468,100
Capital Plan Funding					
Project Direct Funding Sources (a)	$3,353,000	$2,222,400	$3,090,300	$215,500	$375,000
Tax levy/Current Funds/Investment Income (b)	$5,429,800	$3,913,500	$5,064,200	$6,981,500	$6,093,100
Borrowed Funds	$12,000,000	$11,000,000	$14,000,000	$16,000,000	$17,000,000
Total Capital Plan Funding	$20,782,800	$17,135,900	$22,154,500	$23,197,000	$23,468,100
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	$12,000,000	$11,000,000	$14,000,000	$16,000,000	$17,000,000

(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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