
TABLE OF CONTENTS

DEBT SERVICE

Fund: Debt Service Mission Policy Summary 457

 Debt Service by Bond Issue 458

 Debt Service Activity 459

 Table by Note 460

 Projected Debt Service 461

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" (two pages later).

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 2017 debt issue of \$10.0 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.

<u>Expenditures</u>	<u>2015 Actual</u>	<u>2016 Budget</u>	<u>2016 Estimate</u>	<u>2017 Based on Prior Years</u>	<u>Impact of 2017 Issue</u>	<u>2017 Budget</u>	<u>Budget Change</u>
Principal	\$12,635,000	\$12,705,000	\$12,705,000	\$13,005,000		\$13,005,000	\$300,000
Interest Expense	<u>\$1,800,805</u>	<u>\$1,948,617</u>	<u>\$1,648,617</u>	<u>\$1,655,900</u>	<u>\$250,000</u>	<u>\$1,905,900</u>	<u>(\$42,717)</u>
TOTAL DEBT	\$14,435,805	\$14,653,617	\$14,353,617	\$14,660,900	\$250,000	\$14,910,900	\$257,283
Fund Balance	<u>\$1,485,805</u>	<u>\$1,544,117</u>	<u>\$1,244,117</u>	<u>\$1,451,400</u>	<u>\$250,000</u>	<u>\$1,701,400</u>	<u>\$157,283</u>
TAX LEVY	\$12,950,000	\$13,109,500	\$13,109,500	\$13,209,500	\$0	\$13,209,500	\$100,000

(a) 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.

(b) Interest payments are lower in the 2016 estimate because approximately \$300,000 of interest payments related to the 2016 bond issue were originally budgeted for payment during 2016, but will be made in 2017, based on the bond issue agreement schedule. Additionally, interest on the 2016 issue was about \$230,000 less than budgeted.

(c) The 2017 Budget includes prior-year revenues as follows: Debt Service Investment Income of \$90,000, Jail Assessment Fee revenues of \$200,000, 2010 Buy America Bond – U.S. Treasury payment of \$68,000, General Fund Balance of \$450,000 and Debt Service Fund Balance of \$893,400.

Program Highlights

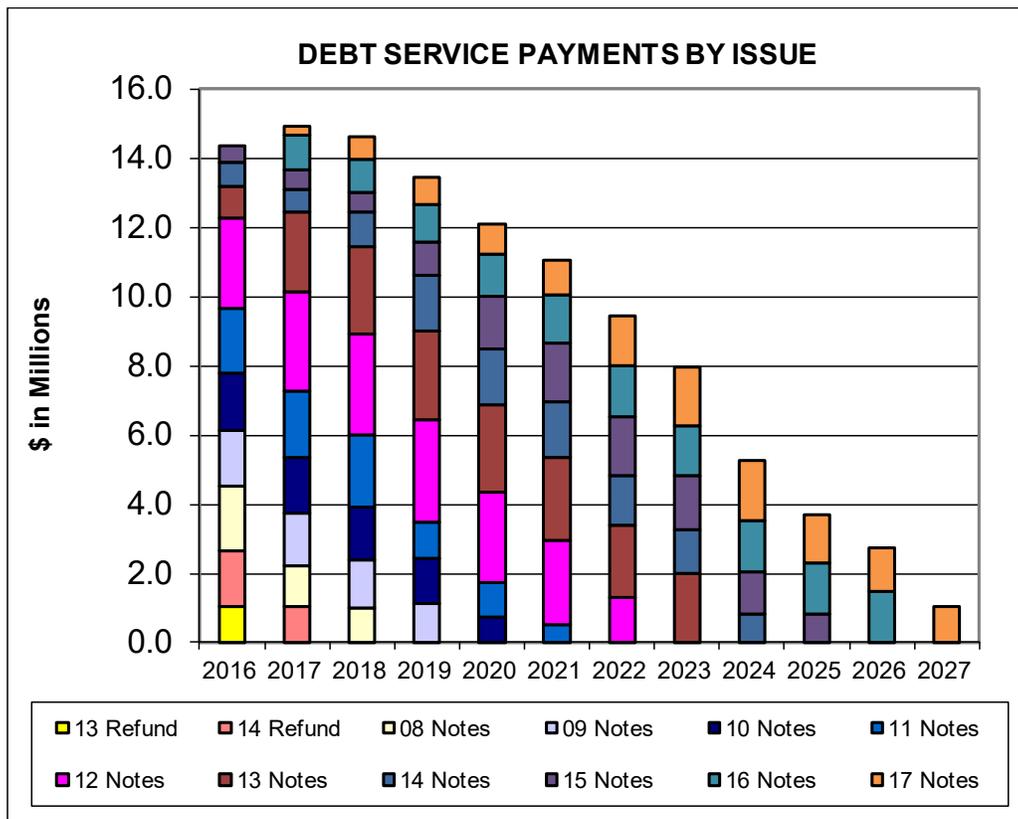
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (10 years) promissory notes amortized integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take advantage 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 about \$257,300 in 2017, including an increase in principal payments by \$300,000 partially offset by a decrease in interest payments by about \$42,700. Decreases in interest payments are mostly due to favorable rates obtained in bond issues and through refinancing of existing debt for the 2007 issue and for lower interest rates than budgeted for the 2016 issue. This decrease is partially offset by budgeting approximately \$300,000 for the first interest payment on the 2016 issue in 2017, based on the bond issue agreement schedule (originally planned to be paid in 2016).

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 the 2007 issue reduced the interest rate. 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 2014-2016 and is planning to do so in 2017, by a total of about \$9.1 million.

Debt Service is funded primarily with property tax levy, which is budgeted to increase by \$100,000 to \$13,209,500. Remaining revenues consist of fund balance of \$1,701,400, as follows: **Debt Service Fund Balance:** Balance of \$893,400, prior-year investment income of \$90,000, Buy America Bond – U.S. Treasury rebate of \$68,000; and **General Fund Balance:** \$450,000* and Jail Assessment Fee reserves of \$200,000. The \$450,000 of General Fund Balance is budgeted since Jail Assessment Fee reserve application to debt service was 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 2017, \$400,000 in 2018, \$300,000 in 2019 and \$200,000 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 2017-2021 Five-Year Capital Projects Plan. Projected expenditures for governmental operations assume a 3.0% annual growth rate after 2017.

(Millions)	2015	2016	2017	2018	2019	2020	2021
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$200.0	\$208.7	\$213.1	\$219.5	\$226.1	\$232.9	\$239.9
Debt Ser.**	\$14.4	\$14.4	\$14.9	\$15.1	\$15.1	\$15.1	\$15.1
Ratio (%) of Debt to Oper	7.2%	6.9%	7.0%	6.9%	6.7%	6.5%	6.4%

*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
2016 GOPN (b)	2016	2026	\$11,500,000	1.52%	\$11,500,000
2015 GOPN	2015	2025	\$10,000,000	1.57%	\$9,700,000
2014 GOPN	2014	2024	\$10,000,000	1.74%	\$9,200,000
2014 Refunding (c)	2014	2017	\$4,255,000	0.80%	\$1,040,000
2013 GOPN	2013	2023	\$17,000,000	1.64%	\$15,300,000
2012 GOPN	2012	2022	\$20,000,000	1.64%	\$14,300,000
2011 GOPN (d)	2011	2021	\$19,490,000	1.81%	\$6,300,000
2010 GOPN (e)	2010	2020	\$9,000,000	1.93%	\$4,840,000
2009 GOPN (f)	2009	2019	\$15,700,000	2.70%	\$3,850,000
2008 GOPN	2008	2018	\$10,000,000	3.28%	\$2,100,000
TOTAL DEBT 12/31/16					\$78,130,000
2017 ISSUE					\$10,000,000
TOTAL DEBT (g)					<u>\$88,130,000</u>

(a) GOPN=General Obligation Promissory Note

(b) The 2016 Adopted Budget was reduced by \$500,000 and offset with Tarmann Parkland Acquisition Fund Balance for use on Parks and Land Use capital projects (enrolled ordinance 170-87).

(c) 2014 refunding includes \$4,255,000 of 2007 notes refunded.

(d) 2011 includes refunding of \$9.9 million balance of 2003 and 2004 debt issues, which is already paid off.

(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 2017 budget will reduce the outstanding debt with the budgeted principal payment of \$13,005,000 to \$75,125,000.

Outstanding Debt Limit

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

	2015 Budget Year	2016 Budget Year	2017 Budget Year
Equalized Value (h)	\$48,995,016,900	\$50,187,624,500	\$51,937,555,000
Debt Limit (5% x equalized value)	\$2,449,750,845	\$2,509,381,225	\$2,596,877,750
Outstanding Debt (i)	\$91,970,000	\$91,335,000	\$88,130,000
Available Debt Limit	\$2,357,780,845	\$2,418,046,225	\$2,508,747,750
Percent of Debt Limit Available	96.2%	96.4%	96.6%

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

(i) Includes anticipated 2017 debt issue of \$10.0 million.

SCHEDULE OF CURRENT AND PLANNED DEBT SERVICE REQUIREMENTS

	2014 REFUNDING (a)	2008 GOPN	2009 GOPN	2010 GOPN	2011 GOPN	2012 GOPN	2013 GOPN	2014 GOPN	2015 GOPN	2016 GOPN	2017 GOPN	Total
<u>2017</u>												
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	\$680,000	\$0	\$13,005,000
Interest	\$4,160	\$53,700	\$102,938	\$152,164	\$136,250	\$261,625	\$296,000	\$184,000	\$171,000	\$294,063	\$250,000	\$1,905,900
2017 Budget Total	\$1,044,160	\$1,153,700	\$1,552,938	\$1,587,164	\$1,936,250	\$2,861,625	\$2,296,000	\$684,000	\$571,000	\$974,063	\$250,000	\$14,910,900
<u>2018</u>												
Principal		1,000,000	1,300,000	1,435,000	2,000,000	2,700,000	2,300,000	800,000	400,000	745,000	350,000	13,030,000
Interest		17,500	58,250	103,015	88,750	208,625	253,000	171,000	166,000	234,400	300,000	1,600,540
<u>2019</u>												
Principal			1,100,000	1,255,000	1,000,000	2,800,000	2,350,000	1,500,000	800,000	860,000	500,000	12,165,000
Interest			18,563	53,430	51,250	153,625	206,500	148,000	159,000	218,350	289,500	1,298,218
<u>2020</u>												
Principal				715,000	1,000,000	2,500,000	2,350,000	1,500,000	1,400,000	1,000,000	600,000	11,065,000
Interest				14,479	26,250	100,625	159,500	118,000	144,500	199,750	274,500	1,037,604
<u>2021</u>												
Principal					500,000	2,400,000	2,300,000	1,500,000	1,600,000	1,210,000	750,000	10,260,000
Interest					6,875	51,625	113,000	88,000	118,000	171,600	256,500	805,600
<u>2022</u>												
Principal						1,300,000	2,000,000	1,400,000	1,600,000	1,335,000	1,200,000	8,835,000
Interest						13,813	67,500	59,000	86,000	133,425	234,000	593,738
<u>2023</u>												
Principal							2,000,000	1,200,000	1,500,000	1,360,000	1,500,000	7,560,000
Interest							22,500	31,500	55,000	99,800	198,000	406,800
<u>2024</u>												
Principal								800,000	1,200,000	1,395,000	1,600,000	4,995,000
Interest								9,000	28,000	72,250	153,000	262,250
<u>2025</u>												
Principal									800,000	1,435,000	1,300,000	3,535,000
Interest									8,000	43,950	105,000	156,950
<u>2026</u>												
Principal										1,480,000	1,200,000	2,680,000
Interest										14,800	66,000	80,800
<u>2027</u>												
Principal											1,000,000	1,000,000
Interest											30,000	30,000
Total Principal	\$1,040,000	\$2,100,000	\$3,850,000	\$4,840,000	\$6,300,000	\$14,300,000	\$15,300,000	\$9,200,000	\$9,700,000	\$11,500,000	\$10,000,000	\$88,130,000
Total Interest	\$4,160	\$71,200	\$179,751	\$323,088	\$309,375	\$789,938	\$1,118,000	\$808,500	\$935,500	\$1,482,388	\$2,156,500	\$8,178,400
Total Payment	\$1,044,160	\$2,171,200	\$4,029,751	\$5,163,088	\$6,609,375	\$15,089,938	\$16,418,000	\$10,008,500	\$10,635,500	\$12,982,388	\$12,156,500	\$96,308,400

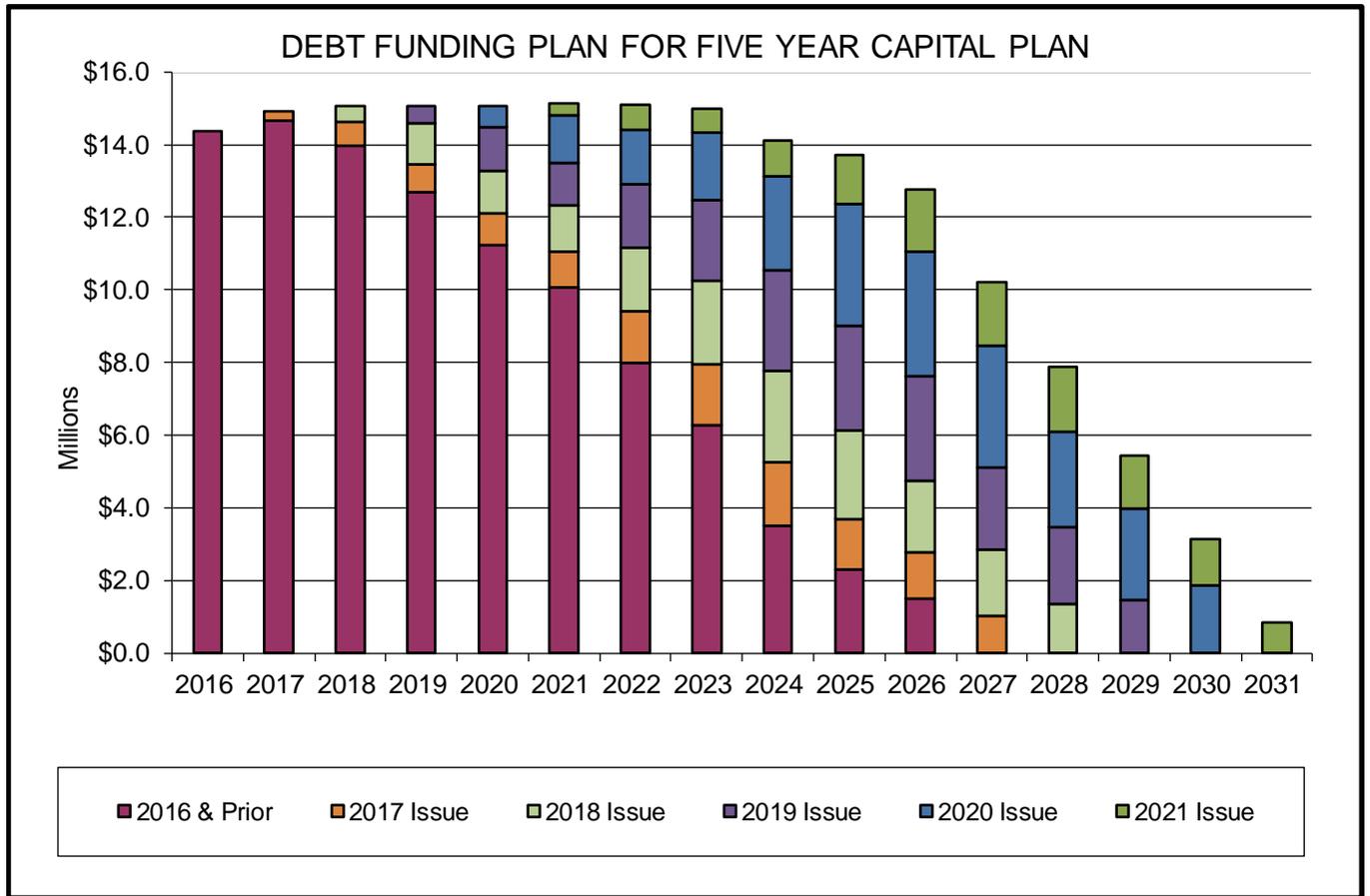
(a) 2014 Refunding Issue includes \$4.255 million of the 2007 notes refunded.

Debt Service

Debt Service

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 Activity page)



2017	2018	2019	2020	2021
Budget	5 - Year Plan			

Capital Plan Project Costs	\$16,823,400	\$20,699,700	\$22,700,000	\$24,996,800	\$13,128,000
Capital Plan Funding					
Project Direct Funding Sources (a)	\$1,406,400	\$2,216,800	\$1,196,500	\$820,000	\$0
Tax levy/Current Funds (b)	\$5,117,000	\$3,582,900	\$3,903,500	\$3,576,800	\$2,778,000
Investment Income	\$300,000	\$400,000	\$600,000	\$600,000	\$350,000
Borrowed Funds	<u>\$10,000,000</u>	<u>\$14,500,000</u>	<u>\$17,000,000</u>	<u>\$20,000,000</u>	<u>\$10,000,000</u>
Total Capital Plan Funding	\$16,823,400	\$20,699,700	\$22,700,000	\$24,996,800	\$13,128,000
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	3.00%	3.50%	3.50%	3.50%	4.00%
Planned Bond Issue	\$10,000,000	\$14,500,000	\$17,000,000	\$20,000,000	\$10,000,000

- (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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