

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 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.

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 expenditures in governmental funds.

<u>Expenditures</u>	<u>2019 Actual</u>	<u>2020 Budget</u>	<u>2020 Estimate</u>	<u>2021 Based on Prior Years</u>	<u>Impact of 2021 Issue</u>	<u>2021 Budget</u>	<u>Budget Change</u>
Principal	\$12,765,000	\$12,665,000	\$12,665,000	\$12,905,000		\$12,905,000	\$240,000
Interest Expense	<u>\$1,726,429</u>	<u>\$2,279,779</u>	<u>\$1,819,600</u>	<u>\$1,668,594</u>	<u>\$300,000</u>	<u>\$1,968,594</u>	<u>(\$311,185)</u>
TOTAL DEBT	\$14,491,429	\$14,944,779	\$14,484,600	\$14,573,594	\$300,000	\$14,873,594	(\$71,185)
Fund Balance	<u>\$586,929</u>	<u>\$690,279</u> (a)	<u>\$230,100</u>	<u>\$260,875</u> (b)	<u>\$300,000</u>	<u>\$560,875</u>	<u>(\$129,404)</u>
TAX LEVY	\$13,904,500	\$14,254,500	\$14,254,500	\$14,312,719	\$0	\$14,312,719	\$58,219

(a) The 2020 budget includes fund balance from the following sources: Debt Service prior-year investment income of \$81,000, prior-year jail assessment fee revenues of \$210,000, General Fund balance of \$350,000, and Debt Service Fund balance of \$49,279

(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.

Program Highlights

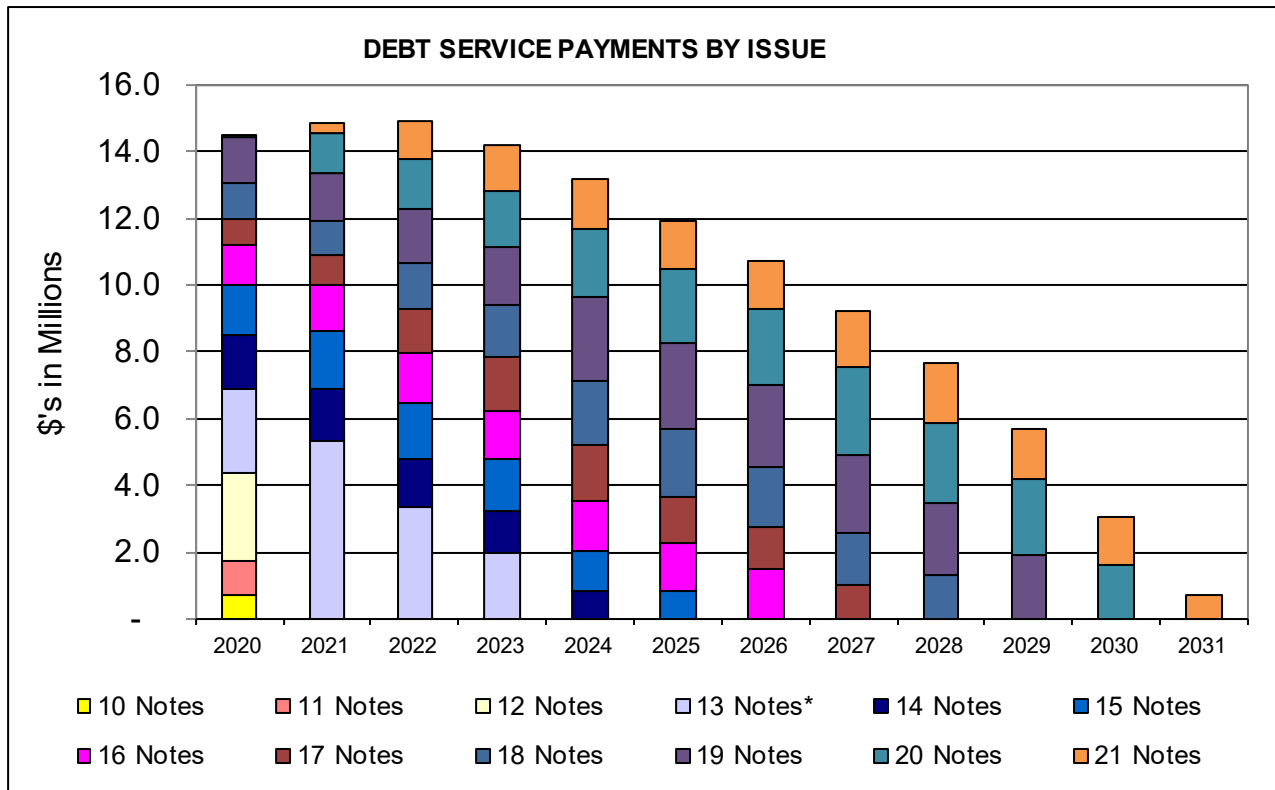
Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (10 years) promissory notes amortized by integrating new debt with existing debt to achieve stability in annual payments and impact on future budgets. Larger payments are structured in later years to take 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 2021, debt service expenditures are projected to decrease by about \$71,200 including an increase in principal payments by \$240,000, and more than offset by a decrease in interest payments by \$311,200. The decrease in interest payments is due to the county’s ability to take advantage of lower interest rates.

Debt Service is funded primarily with property tax levy, which is budgeted to increase by \$58,200 to \$14,312,700. Remaining revenues consist of fund balance of \$560,875, as follows:

- **Debt Service Fund Balance:** \$210,875.
- **General Fund Balance:** \$300,000* and prior-year jail assessment fee reserves of \$50,000.

*General Fund Balance is reserved for the planned future use and phase-out in the Debt Service budget as follows: \$350,000 in 2020, \$300,000 in 2021, and \$100,000 in 2022.



*13 Notes includes refinancing of \$10.5 million balance of 2011, 2012, and 2013 debt issues. The 2011 includes refunding of \$9.9 million balance of 2003 and 2004 debt issues, of which these portions are paid off.

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 2021-2025 Five-Year Capital Projects Plan. Projected expenditures for governmental operations assume a 3.0% annual growth rate after 2021.

(Millions)	2019	2020	2021	2022	2023	2024	2025
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$217.6	\$229.8	\$238.2	\$245.1	\$252.4	\$259.9	\$267.6
Debt Ser.**	\$14.5	\$14.5	\$14.9	\$15.1	\$15.5	\$15.9	\$16.2
Ratio (%) of Debt to Oper	6.7%	6.3%	6.2%	6.2%	6.1%	6.1%	6.1%

*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
2020 GOPN	2020	2030	\$18,000,000	1.12%	\$18,000,000
2019 GOPN	2019	2029	\$17,500,000	2.12%	\$16,600,000
2018 GOPN	2018	2028	\$12,500,000	2.60%	\$11,200,000
2017 GOPN	2017	2027	\$10,000,000	1.83%	\$8,550,000
2016 GOPN	2016	2026	\$11,500,000	1.52%	\$8,215,000
2015 GOPN	2015	2025	\$10,000,000	1.57%	\$6,700,000
2014 GOPN	2014	2024	\$10,000,000	1.74%	\$4,900,000
2020 REFINANCE (b)	2020	2023	\$10,513,000	0.85%	\$10,513,000
TOTAL DEBT 12/31/20					\$84,678,000
2021 ISSUE					\$12,000,000
TOTAL DEBT (c)					<u>\$96,678,000</u>

(a) GOPN=General Obligation Promissory Note

(b) 2020 includes refinancing the \$10.5 million balance of 2011, 2012, and 2013 debt issues.

(c) The 2021 budget will reduce the outstanding debt with the budgeted principal payment of \$12,905,000 to \$83,773,000.

Outstanding Debt Limit

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

	2019 Budget Year	2020 Budget Year	2021 Budget Year
Equalized Value (d)	\$56,536,637,800	\$59,540,912,600	\$62,620,157,900
Debt Limit (5% x equalized value)	\$2,826,831,890	\$2,977,045,630	\$3,131,007,895
Outstanding Debt (e)	\$92,095,000	\$97,330,000	\$96,678,000
Available Debt Limit	\$2,734,736,890	\$2,879,715,630	\$3,034,329,895
Percent of Debt Limit Available	96.7%	96.7%	96.9%

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

(e) Includes anticipated 2021 debt issue of \$12.0 million.

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Schedule

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	Total
<u>2021</u>										
Principal	5,245,000	1,500,000	1,600,000	1,210,000	750,000	700,000	1,000,000	900,000	0	12,905,000
Interest*	67,069	88,000	118,000	171,600	164,300	320,000	441,125	298,500	300,000	1,968,594
2021 Budget Total	\$5,312,069	\$1,588,000	\$1,718,000	\$1,381,600	\$914,300	\$1,020,000	\$1,441,125	\$1,198,500	\$300,000	\$14,873,594
<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	30,778	59,000	86,000	133,425	144,800	295,750	403,125	286,500	360,000	1,799,378
<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	12,634,000
Interest	8,390	31,500	55,000	99,800	117,800	262,500	364,125	270,250	336,000	1,545,365
<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	11,895,000
Interest		9,000	28,000	72,250	86,800	217,500	310,125	250,250	306,000	1,279,925
<u>2025</u>										
Principal			800,000	1,435,000	1,300,000	1,900,000	2,300,000	2,000,000	1,200,000	10,935,000
Interest			8,000	43,950	58,450	163,500	242,625	226,500	270,000	1,013,025
<u>2026</u>										
Principal				1,480,000	1,200,000	1,700,000	2,300,000	2,100,000	1,200,000	9,980,000
Interest				14,800	33,800	109,500	173,625	193,000	234,000	758,725
<u>2027</u>										
Principal					1,000,000	1,500,000	2,200,000	2,500,000	1,500,000	8,700,000
Interest					10,750	61,500	115,750	147,000	198,000	533,000
<u>2028</u>										
Principal						1,300,000	2,100,000	2,300,000	1,600,000	7,300,000
Interest						19,500	68,750	99,000	153,000	340,250
<u>2029</u>										
Principal							1,900,000	2,200,000	1,400,000	5,500,000
Interest							22,563	54,000	105,000	181,563
<u>2030</u>										
Principal								1,600,000	1,400,000	3,000,000
Interest								16,000	63,000	79,000
<u>2031</u>										
Principal									700,000	700,000
Interest									21,000	21,000
Total Principal	\$10,513,000	\$4,900,000	\$6,700,000	\$8,215,000	\$8,550,000	\$11,200,000	\$16,600,000	\$18,000,000	\$12,000,000	\$96,678,000
Total Interest	\$106,237	\$187,500	\$295,000	\$535,825	\$616,700	\$1,449,750	\$2,441,813	\$1,841,000	\$2,346,000	\$9,519,825
Total Payment	\$10,619,237	\$5,087,500	\$6,995,000	\$8,750,825	\$9,166,700	\$12,649,750	\$18,741,813	\$19,841,000	\$14,346,000	\$106,197,825

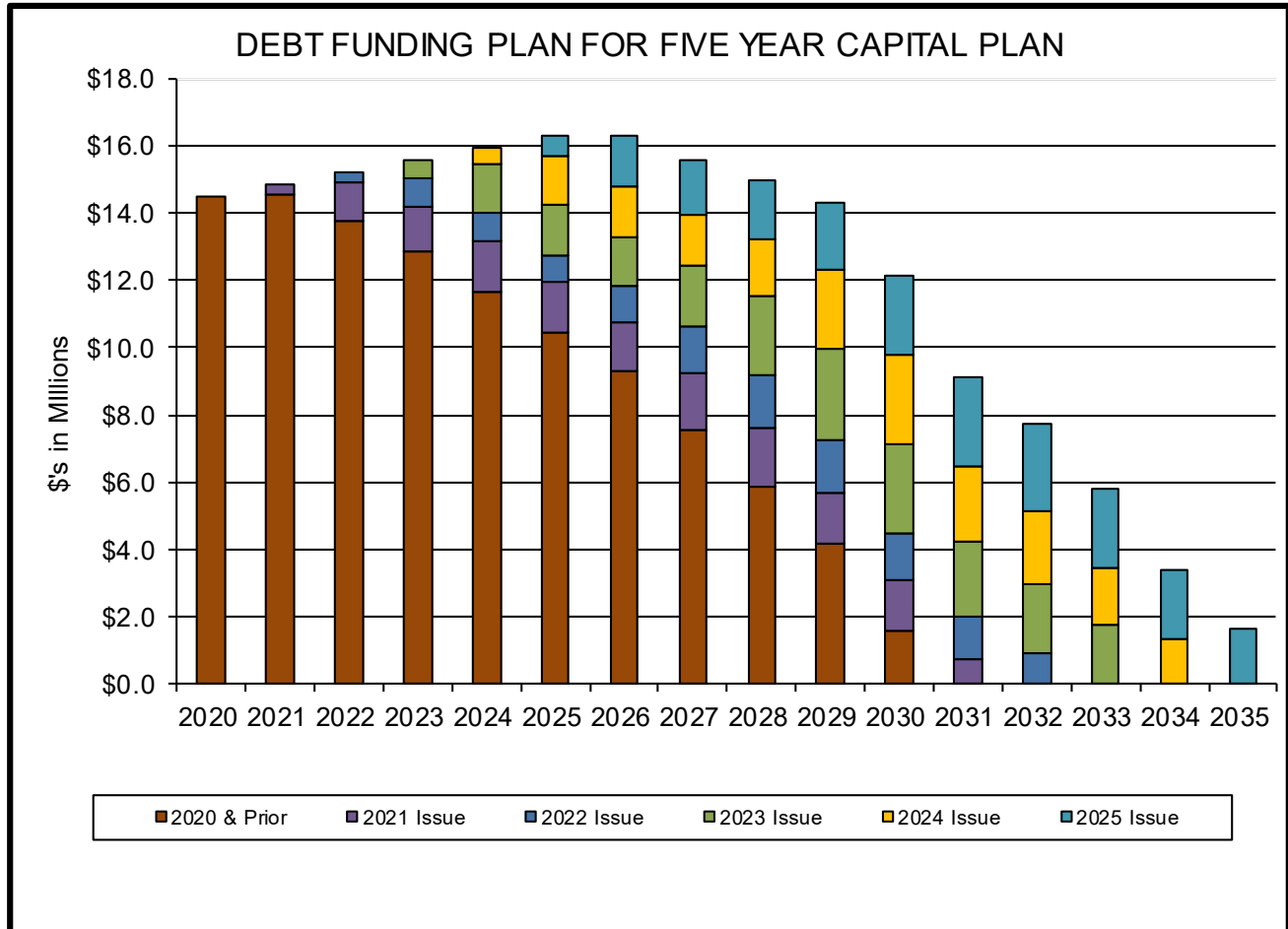
*Interest assumption (true interest cost – TIC) for the 2021 issue is estimated at 3.0%

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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 ratio earlier in this budget.)



2021 Budget	2022 5 - Year Plan	2023 5 - Year Plan	2024 5 - Year Plan	2025 5 - Year Plan
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Capital Plan Project Costs	\$19,201,900	\$17,486,600	\$22,190,300	\$19,421,800	\$21,348,000
Capital Plan Funding					
Project Specific Revenues & Proprietary Fund Balance (a)	\$3,495,500	\$1,970,500	\$868,000	\$0	\$1,075,000
Tax levy/Current Funds (b)	\$3,586,400	\$5,876,100	\$5,002,300	\$4,041,800	\$3,823,000
Investment Income	\$120,000	\$140,000	\$320,000	\$380,000	\$450,000
Borrowed Funds	<u>\$12,000,000</u>	<u>\$9,500,000</u>	<u>\$16,000,000</u>	<u>\$15,000,000</u>	<u>\$16,000,000</u>
Total Capital Plan Funding	\$19,201,900	\$17,486,600	\$22,190,300	\$19,421,800	\$21,348,000
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	3.00%	3.75%	4.00%	4.00%	4.50%
Planned Bond Issue	\$12,000,000	\$9,500,000	\$16,000,000	\$15,000,000	\$16,000,000

(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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