

Debt Service Fund

PURPOSE

The County Debt Service Fund provides for the payment of principal and interest on long-term debt of the County. These payments of principal and interest, known as “debt service”, are made over 20- to 25-year periods until the bonds are fully repaid. The County’s debt is currently rated AA2 by Moody’s Investors Service and AA+ by both Standard and Poors Rating Agency and Fitch Ratings. These outstanding ratings translate to lower interest rates to the County.

BUDGET COMMENTS

Fund Balance – Money has previously been set aside to act as a shock absorber when new debt and/or new service spending is added or when operating revenues take a sharp decline. The debt service fund balance assists the Board of Supervisors with managing large shifts in either spending or revenue without impacting tax rates.

Page F-11 identifies revenue and expenditure projections for the current year, budgeted and projected, and the next five years. Only the first year (FY 2011) will actually be budgeted and appropriated.

Managing the County's indebtedness is critical to overall fiscal health. The County has incurred debt for a variety of projects in the past five years, including two new elementary schools, a new middle school, parks projects, the acquisition of the Jamestown Beach Campground, and the County stadium. Reducing that indebtedness is an objective over the next five years, even as the County continues to borrow for smaller capital maintenance investments.

The County debt outstanding (in \$1,000s of dollars) over the time period identified is:

	<u>Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending</u>
FY 2011	\$224,335	\$13,900	\$15,109	\$223,126
FY 2012	223,126	6,300	15,189	214,237
FY 2013	214,237	13,400	15,186	212,451
FY 2014	212,451	5,360	15,203	202,608
FY 2015	202,608	4,960	15,238	192,330

Most of the funding for the debt service fund comes from recurring operating revenues. Investment income is earned by investing bond proceeds before they are spent. The police building financing produced reimbursements in the form of partial debt service rebates and other sources of revenue, like the excess proceeds from a refinancing, also provide funding for debt service.

Past trends have been to "stair step" increasing contributions from the operating budget. The change from annual reassessments to reassessments every other year puts most of the funding pressure on the first year of the two-year budget process.

In FY 2011 the contribution to debt service from operating revenues actually declines. A larger reduction was originally anticipated to assist in funding the opening of two new schools. The reduction is smaller than initially anticipated because while a new middle school (Hornsby) is opened, an existing middle school (Blair) will not continue as a middle school, at least in the near future.

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BUDGETED SPENDING	FY2010 Budget	FY2010 Projected	FY2011 Projected	FY2012 Projected	FY2013 Projected	FY2014 Projected	FY2015 Projected
Beginning Balance	\$10,896,011	\$11,118,329	\$12,408,971	\$ 8,700,254	\$ 5,155,008	\$ 2,281,786	\$ 145,392
Revenues							
General Fund	\$24,167,170	\$24,167,170	\$22,150,000	\$22,300,000	\$23,550,000	\$24,550,000	\$26,300,000
"Buy America Bonds" Subsidy		72,311	230,788	227,750	224,712	221,674	218,636
Excess Bond proceeds	2,500,000	2,500,000					
Investment Income	150,000	350,000	75,000	50,000	50,000	50,000	50,000
Other	201,000	201,000					
	<u>\$27,018,170</u>	<u>\$27,290,481</u>	<u>\$22,455,788</u>	<u>\$22,577,750</u>	<u>\$23,824,712</u>	<u>\$24,821,674</u>	<u>\$26,568,636</u>
Expenditures							
Previous Debt Issues							
Schools	\$18,601,383	\$18,601,383	\$17,991,283	\$17,305,768	\$16,797,994	\$16,537,862	\$16,277,730
Non-Schools	6,491,852	6,491,852	5,724,578	5,652,192	5,581,773	5,511,323	5,440,873
Fiscal Agent Fees	75,000	75,000	75,000	75,000	75,000	75,000	75,000
	<u>\$25,168,235</u>	<u>\$25,168,235</u>	<u>\$23,790,861</u>	<u>\$23,032,960</u>	<u>\$22,454,767</u>	<u>\$22,124,185</u>	<u>\$21,793,603</u>
Police Building 2010	\$ 1,096,000	\$ 831,604	\$ 1,219,395	\$ 1,215,715	\$ 1,212,035	\$ 1,208,355	\$ 1,204,675
Gymnasium Projects	560,000						
VPSA Schools 2011			573,103	670,898	643,640	636,382	629,124
VPSA Schools 2013					531,333	622,000	614,906
VPSA Schools 2014						444,991	520,925
VPSA Schools 2015							
Greenspace 2011 & 2013			581,146	680,312	1,243,958	1,325,624	1,310,505
Public Facilities 2012				523,031	612,281	596,531	589,727
	<u>\$ 1,656,000</u>	<u>\$ 831,604</u>	<u>\$ 2,373,644</u>	<u>\$ 3,089,956</u>	<u>\$ 4,243,247</u>	<u>\$ 4,833,883</u>	<u>\$ 4,869,862</u>
	<u>\$26,824,235</u>	<u>\$25,999,839</u>	<u>\$26,164,505</u>	<u>\$26,122,916</u>	<u>\$26,698,014</u>	<u>\$26,958,068</u>	<u>\$26,663,465</u>
Ending Balance	<u><u>\$11,089,946</u></u>	<u><u>\$12,408,971</u></u>	<u><u>\$ 8,700,254</u></u>	<u><u>\$ 5,155,088</u></u>	<u><u>\$2,281,786</u></u>	<u><u>\$ 145,392</u></u>	<u><u>\$ 50,563</u></u>

ASSUMPTIONS - NEW DEBT:

FY 2011	\$6,900,000	VPSA - Schools	Details of the capital projects expected to be funded using borrowed funds are shown in the Capital Budget on Page D-7.
	\$7,000,000	Greenspace	
FY 2012	\$6,300,000	Public Facilities	
FY 2013	\$6,400,000	VPSA - Schools	
	\$7,000,000	Greenspace	
FY 2014	\$5,360,000	VPSA - Schools	
FY 2015	\$4,960,000	VPSA - Schools	