

**PURPOSE**

The County Debt Service Fund provides for the payment of principal and interest on long-term general obligation debt of the County. These debt service payments are usually for a period of 20 years before the bonds are fully repaid. The Warhill debt service is being paid over four years.

**BUDGET COMMENTS**

Fund Balance The Board of Supervisors, over the last ten years, has been building a fund balance in the Debt Service Fund to help absorb the expected increases in annual debt service costs resulting from a School expansion and improvement program. As illustrated on Page F - 10, this fund balance was proposed to grow to approximately \$7.8 million by FY 1997 and would be expected to disappear completely by the year 2004. The purpose of this fund balance is to fund an expected increase in debt service costs, also illustrated on Page F - 10, of \$8.6 million in FY 1997 to \$10 million in FY 2004 without depending on substantial annual tax increases.

Revenues Revenues for the debt service fund are primarily derived from annual contributions from the County's General Fund. When funds are borrowed, they are invested until they are spent. This investment income also is included as a revenue source. Additional funds will come in reimbursement for the shell building financing.

Expenditures Expenditure budgets are included for the debt service requirements, the repayment of principal and interest on the borrowed monies, for previous bond issues. In addition, spending is estimated for contemplated borrowings, as well. These contemplated borrowings include two bond issues proposed for the Berkeley Middle School renovation and expansion (FY 1999) and a new elementary school in FY 2000.

			<b>Assumed Interest Rate</b>
FY 1997	VPSA Bond Issue	\$18,800,000	5.50%
<b>FY 1998</b>	<b>None (See Note Below)</b>		
FY 1999	VPSA - Berkeley	7,270,000	6.00%
FY 2000	VPSA - New Elementary School	11,490,000	6.00%
FY 2001	None		
FY 2002	None		

**Note:** In FY 1998, provision is made in debt service to pay \$80,000 a year towards a regional baseball stadium, if approved by the Peninsula jurisdictions. A regional sports authority would actually borrow the money.