

DEBT REPAYMENT

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Organizational Excellence

Provide the highest possible level of services by maintaining a fiscally sound organization that values a high performing, professional, and innovative workforce.



BUDGET SUMMARY

	FY 2017 Actual	FY 2018 Adopted	FY 2018 Amended	FY 2019 Recomm	FY 2019 Adopted	\$ chg	% chg
Total Debt Service							
Principal	58,135,585	62,475,585	62,475,585	62,495,000	62,495,000	19,415	0.0%
Interest	23,974,106	36,062,546	35,675,146	32,657,511	32,657,512	(3,405,034)	(9.4%)
Fees & Other Costs	2,141,220	1,187,150	2,588,542	1,705,500	305,500	(881,650)	(74.3%)
Total	84,250,911	99,725,281	100,739,273	96,858,011	95,458,012	(4,267,269)	(4.3%)
Debt Service by Type							
G.O. Bonds							
Principal	56,860,000	61,100,000	61,100,000	62,395,000	62,395,000	1,295,000	2.1%
Interest	23,129,269	35,261,150	34,873,750	31,888,705	31,888,706	(3,372,444)	(9.6%)
<i>Total</i>	<i>79,989,269</i>	<i>96,361,150</i>	<i>95,973,750</i>	<i>94,283,705</i>	<i>94,283,706</i>	<i>(2,077,444)</i>	<i>(2.2%)</i>
Other Capital Related Debt							
Principal	1,275,585	1,375,585	1,375,585	100,000	100,000	(1,275,585)	(92.7%)
Interest	844,837	801,396	801,396	768,806	768,806	(32,590)	(4.1%)
<i>Total</i>	<i>2,120,422</i>	<i>2,176,981</i>	<i>2,176,981</i>	<i>868,806</i>	<i>868,806</i>	<i>(1,308,175)</i>	<i>(60.1%)</i>
Fees & Other Costs	2,141,220	1,187,150	2,588,542	1,705,500	305,500	(881,650)	(74.3%)
Total	84,250,911	99,725,281	100,739,273	96,858,011	95,458,012	(4,267,269)	(4.3%)
Debt Service by Purpose							
Guilford County Schools	60,491,720	74,792,901	67,545,197	73,300,865	73,300,865	(1,492,036)	(2.0%)
GTCC	9,620,910	11,010,770	10,726,187	9,985,019	9,985,019	(1,025,751)	(9.3%)
Greensboro Detention	7,076,154	6,904,320	7,087,859	6,833,376	6,833,376	(70,944)	(1.0%)
BB&T Building	1,351,616	1,308,175	1,308,175	0	0	(1,308,175)	(100.0%)
Priority Projects	243,068	1,682,636	1,682,636	3,982,370	3,982,370	2,299,734	136.7%
Other	5,467,443	4,026,479	12,389,219	2,756,381	1,356,382	(2,670,097)	(66.3%)
Total	84,250,911	99,725,281	100,739,273	96,858,011	95,458,012	(4,267,269)	(4.3%)
<i>Note: Actual amounts exclude the effects of bond refunding on expenses and revenues.</i>							
Sources of Funds							
<i>ARRA by Purpose</i>							
Schools	1,838,451	2,409,630	2,409,630	1,839,859	1,839,859	(569,771)	(23.6%)
GTCC	329,350	206,503	206,503	329,768	329,768	123,265	59.7%
Greensboro Detention	473,441	57,590	57,590	474,042	474,042	416,452	723.1%
Other	61,753	20,567	20,567	61,831	61,831	41,264	200.6%
Total	2,702,995	2,694,290	2,694,290	2,705,500	2,705,500	11,210	0.4%

DEPARTMENTAL PURPOSE

Guilford County issues debt, primarily through the issuance of voter-approved general obligation bonds, to help fund large capital projects, including new schools, detention facilities, emergency services bases, administrative buildings, and other public infrastructure needs.

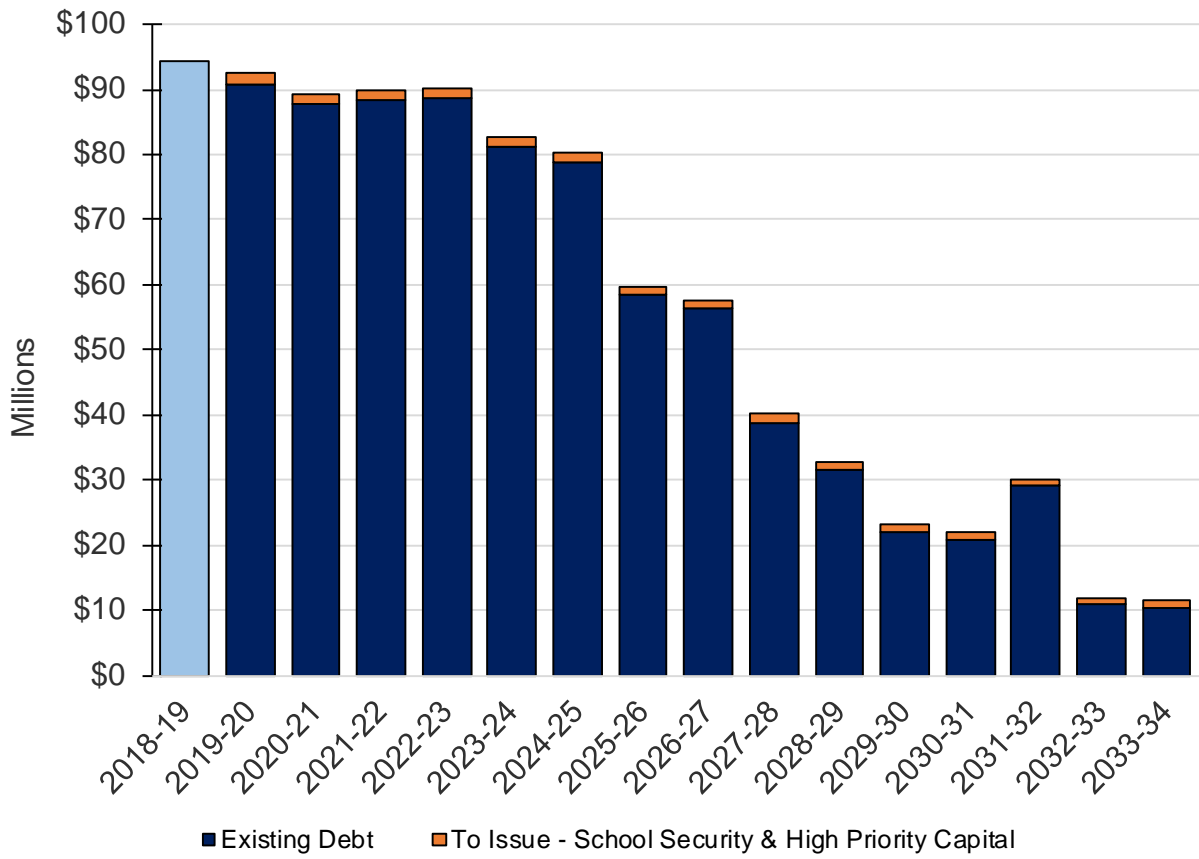
FY 2019 ADOPTED BUDGET HIGHLIGHTS

- Debt service expenditures are projected to decrease \$4.3 million or 4.3% from the FY 2018 Adopted budget due to fixing out the County's variable rate bonds at lower levels than which they were budgeted in the past as well as removal of funds for any issuance costs for additional debt such as additional "two-thirds" bonds for capital projects. The budget also makes no provision for principal and interest on any potential future debt issuance; instead debt service costs on these issuances will either offset or include issuance and interest costs through structuring of debt payments and/or use of bond premiums at the time of issuance.
- In November 2017 the County refunded a portion of its 2012 fixed rate bond issue and all of its variable rate debt, and terminated its sole remaining swap on those variable rate bonds. The bond portfolio is 100% fixed rate which simplifies and clarifies budgeting for future years' debt service. Since the new Federal tax law enacted in late 2017 precludes advance refunding of tax-exempt debt, the County's debt portfolio is stable until new debt is incurred.
- In addition, as part of its capital planning process, the County identified several capital facility projects that have been prioritized due to their potential impact on County operations. These projects were funded with \$27.195 million in 2/3rds bonds that were issued immediately prior to the final 2008 school and community college bonds. The current planned breakdown of bond use by project is as follows:

Project	Total Budget	2/3rds Bonds Issued	2/3rds Bonds Planned	2/3rds Bond Premiums	Other Funding & Transfers	Total Planned Funding	Funding Needed
Animal Shelter Replacement	12,300,000	9,595,000		1,450,108	1,253,327	12,298,435	1,565
Emergency Services							
Phase I - Maintenance & Logistics	11,000,000	5,600,000	2,347,000	-	3,053,000	11,000,000	-
Phases II & III - Administration & EOC	9,000,000	-	-	-	-	-	9,000,000
Old Courthouse Renovation	3,500,000	3,500,000	-	-	-	3,500,000	-
Law Enforcement Administration Center	14,000,000	8,500,000	5,500,000	-	-	14,000,000	-
Total Funding	49,800,000	27,195,000	7,847,000	1,450,108	4,306,327	40,798,435	9,001,565

A total of \$7.8 million in planned 2/3rds bonds will be needed in to complete these projects. An additional \$10 million in 2/3rds bonds will be included for school security improvements with specific needs to be determined as part of the school facility study anticipated to be completed in early FY 2019. Both issuances are planned for FY 2020.

Estimated Debt Repayment Budgets General Obligation Bond Debt



Estimated Annual Debt Service Payments

Existing and Planned Issues - All Debt

Fiscal Year	Principal	Interest	Total
2017-18	62,545,585	32,373,167	94,918,752
2018-19	62,495,000	32,657,511	95,152,511
2019-20	62,860,000	30,421,760	93,281,760
2020-21	62,475,000	27,700,860	90,175,860
2021-22	65,835,000	24,888,719	90,723,719
2022-23	69,365,000	21,687,061	91,052,061
2023-24	64,940,000	18,671,066	83,611,066
2024-25	65,500,000	15,713,634	81,213,634
2025-26	48,055,000	12,561,501	60,616,501
2026-27	48,275,000	10,232,544	58,507,544
2027-28	33,035,000	7,960,749	40,995,749
2028-29	30,435,377	6,440,641	36,876,018
2029-30	22,650,000	5,144,034	27,794,034
2030-31	22,350,000	4,202,001	26,552,001
2031-32	31,215,000	3,574,610	34,789,610
2032-33	10,250,000	1,742,795	11,992,795
2033-34	10,250,000	1,353,145	11,603,145
2034-35	10,250,000	1,043,395	11,293,395
2035-36	10,250,000	720,833	10,970,833
2036-37	10,250,000	397,250	10,647,250
2037-38	900,000	63,000	963,000
2038-39	900,000	31,500	931,500
Total	805,080,962	259,581,776	1,064,662,738

Estimated Annual Debt Service Payments by Type of Debt- Existing and Planned Issues

General Obligation (G.O.) Bonds (includes 2/3rds GO Bonds)							
Fiscal Yr	Issued Bonds			Bonds to be Issued			G.O. Bonds
	Principal	Interest	Total	Principal	Interest	Total	Total
2017-18	61,170,000	31,571,772	92,741,772				92,741,772
2018-19	62,395,000	31,888,704	94,283,704				94,283,704
2019-20	61,885,000	28,912,329	90,797,329	875,000	740,625	1,615,625	92,412,954
2020-21	61,500,000	26,235,179	87,735,179	875,000	696,875	1,571,875	89,307,054
2021-22	64,860,000	23,466,788	88,326,788	875,000	653,125	1,528,125	89,854,913
2022-23	68,390,000	20,308,881	88,698,881	875,000	609,375	1,484,375	90,183,256
2023-24	63,965,000	17,336,636	81,301,636	875,000	565,625	1,440,625	82,742,261
2024-25	64,525,000	14,422,953	78,947,953	875,000	521,875	1,396,875	80,344,828
2025-26	47,055,000	11,314,571	58,369,571	900,000	478,125	1,378,125	59,747,696
2026-27	47,275,000	9,030,613	56,305,613	900,000	433,125	1,333,125	57,638,738
2027-28	32,035,000	6,803,818	38,838,818	900,000	388,125	1,288,125	40,126,943
2028-29	26,130,000	5,328,711	31,458,711	900,000	343,125	1,243,125	32,701,836
2029-30	17,875,000	4,077,103	21,952,103	900,000	298,125	1,198,125	23,150,228
2030-31	17,600,000	3,164,321	20,764,321	900,000	268,875	1,168,875	21,933,196
2031-32	26,495,000	2,565,054	29,060,054	900,000	240,750	1,140,750	30,200,804
2032-33	9,350,000	1,530,170	10,880,170	900,000	212,625	1,112,625	11,992,795
2033-34	9,350,000	1,169,770	10,519,770	900,000	183,375	1,083,375	11,603,145
2034-35	9,350,000	889,270	10,239,270	900,000	154,125	1,054,125	11,293,395
2035-36	9,350,000	597,083	9,947,083	900,000	123,750	1,023,750	10,970,833
2036-37	9,350,000	303,875	9,653,875	900,000	93,375	993,375	10,647,250
2037-38				900,000	63,000	963,000	963,000
2038-39				900,000	31,500	931,500	931,500
Total	769,905,000	240,917,600	1,010,822,600	17,850,000	7,099,500	24,949,500	1,035,772,100

160A-20 Qualified School Construction Bonds (QSCBs)				2/3rds G.O. Bonds for Priority Projects		
Fiscal Yr	Principal	Interest	Total	Principal	Interest	Total
2017-18	100,000	768,806	868,806	500,000	1,181,136	1,681,136
2018-19	100,000	768,806	868,806	1,455,000	1,124,970	2,579,970
2019-20	100,000	768,806	868,806	1,839,804	1,052,220	2,892,024
2020-21	100,000	768,806	868,806	1,839,804	979,470	2,819,274
2021-22	100,000	768,806	868,806	1,839,804	906,720	2,746,524
2022-23	100,000	768,806	868,806	1,839,804	833,970	2,673,774
2023-24	100,000	768,806	868,806	1,839,804	761,220	2,601,024
2024-25	100,000	768,806	868,806	1,839,804	688,470	2,528,274
2025-26	100,000	768,806	868,806	1,850,798	615,720	2,466,518
2026-27	100,000	768,806	868,806	1,850,798	542,970	2,393,768
2027-28	100,000	768,806	868,806	1,755,798	470,220	2,226,018
2028-29	3,405,377	768,806	4,174,183	1,755,798	415,820	2,171,618
2029-30	3,875,000	768,806	4,643,806	1,755,798	361,420	2,117,218
2030-31	3,850,000	768,806	4,618,806	1,755,798	307,020	2,062,818

2031-32*	3,820,000	768,806	4,588,806	1,755,798	252,620	2,008,418
2032-33				1,755,798	211,820	1,967,618
2033-34				1,755,798	171,020	1,926,818
2034-35				1,755,798	130,220	1,886,018
2035-36				1,755,798	87,720	1,843,518
2036-37				1,755,798	44,200	1,799,998
2037-38				395,798	44,200	439,998
2038-39				395,798	44,200	439,998
Total	16,050,377	11,532,087	27,582,464	35,045,000	11,227,346	46,272,346

* Single principal payment of \$16,845,000 due 4/1/2032

BB&T Building Financing

Fiscal Yr	Principal	Interest	Total
2017-18	1,275,585	32,589	1,308,174
2018-19			
2019-20			
2020-21			
2021-22			
2022-23			
2023-24			
2024-25			
2025-26			
2026-27			
2027-28			
2028-29			
2029-30			
2030-31			
2031-32*			
2032-33			
2033-34			
2034-35			
2035-36			
2036-37			
2037-38			
2038-39			
Total	1,275,585	32,589	1,308,174

DEBT POLICIES AND STATUTORY LIMITATIONS

State Limitation on Local Debt

North Carolina General Statute 159-55 requires that the net debt of a county not exceed 8% of the appraised value of property subject to taxation. Net debt includes all authorized (issued and unissued) bonded debt and capital lease obligations, less certain deductions. For the fiscal year ending June 30, 2018, the County's net debt is equal to 1.43% of the assessed value of taxable property, well below the 8% statutory limit, and its unused debt capacity (the 'Legal Debt Margin') is approximately \$3.3 billion.

In FY 2017-18, the County made its final payment on the capital financing for the purchase of the BB&T Building in downtown Greensboro and has no authorized but unissued bonds.

COMPUTATION OF LEGAL DEBT MARGIN	
Fiscal Year Ending June 30, 2018	
Estimated appraised property valuation*	<u>\$ 50,541,506,355</u>
Debt limit (8% of total assessed valuation)	\$ 4,043,320,508
Debt applicable to debt limit:	
<i>Bonded debt</i>	\$ 708,735,000
<i>Bonds authorized, but unissued:</i>	\$ -
<i>Limited obligation bonds</i>	\$ 16,845,000
<i>Obligations under capital lease and purchase money installment contracts</i>	<u>\$ -</u>
Gross debt	\$ 725,580,000
Less statutory deductions:	
<i>Refunding bonds authorized, but unissued</i>	\$ -
<i>Amounts held in sinking funds</i>	\$ (509,091)
<i>Bonds issued and outstanding for water purposes</i>	<u>\$ (524,867)</u>
	\$ (1,033,958)
Net debt applicable to limit	\$ 724,546,042
As a percentage of total assessed valuation	1.43%
Legal debt margin (Debt Limit less Net Debt)	\$ 3,318,774,466

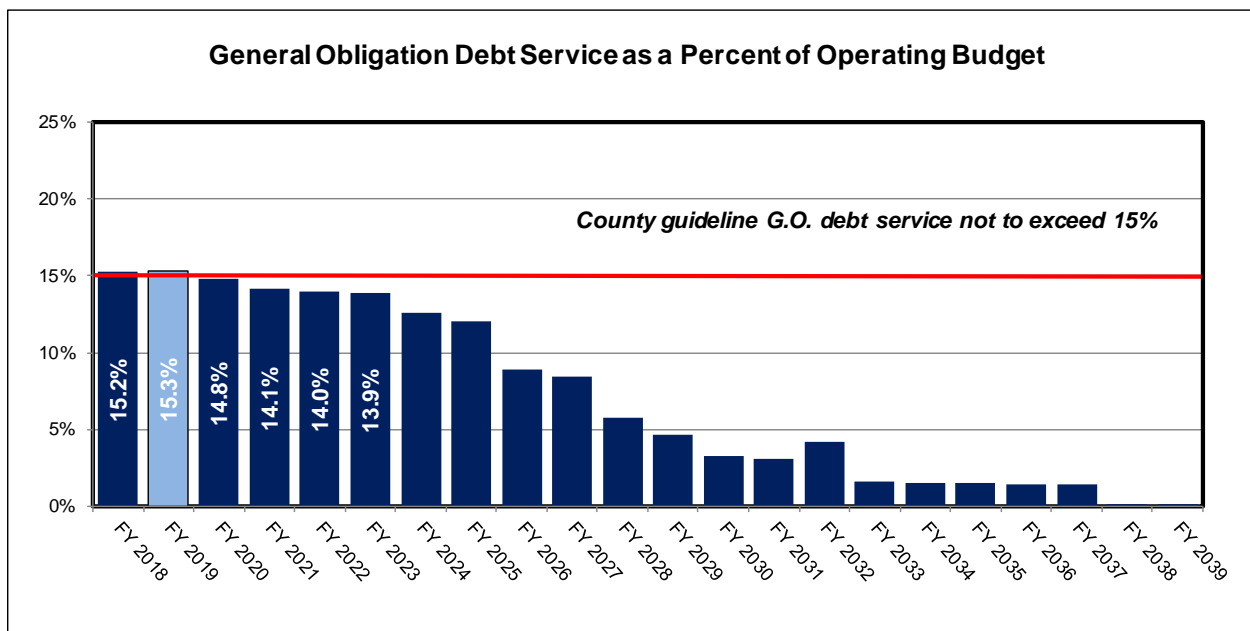
* Indicates estimated assessed property valuation per Budget Ordinance for the fiscal year ending June 30, 2018.

Local Debt Guidelines

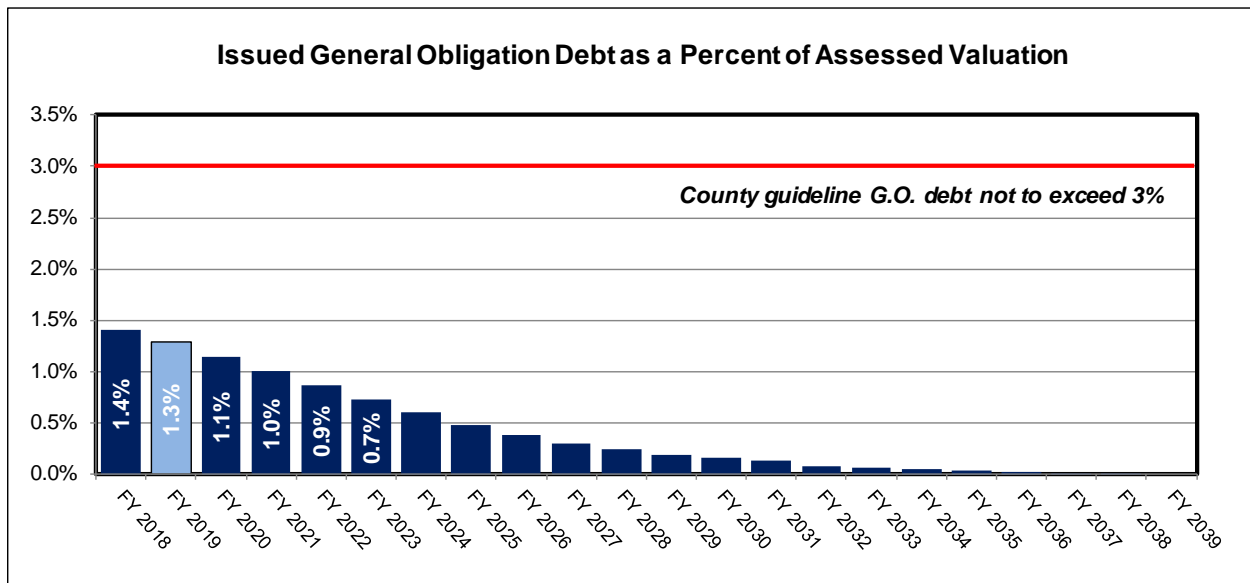
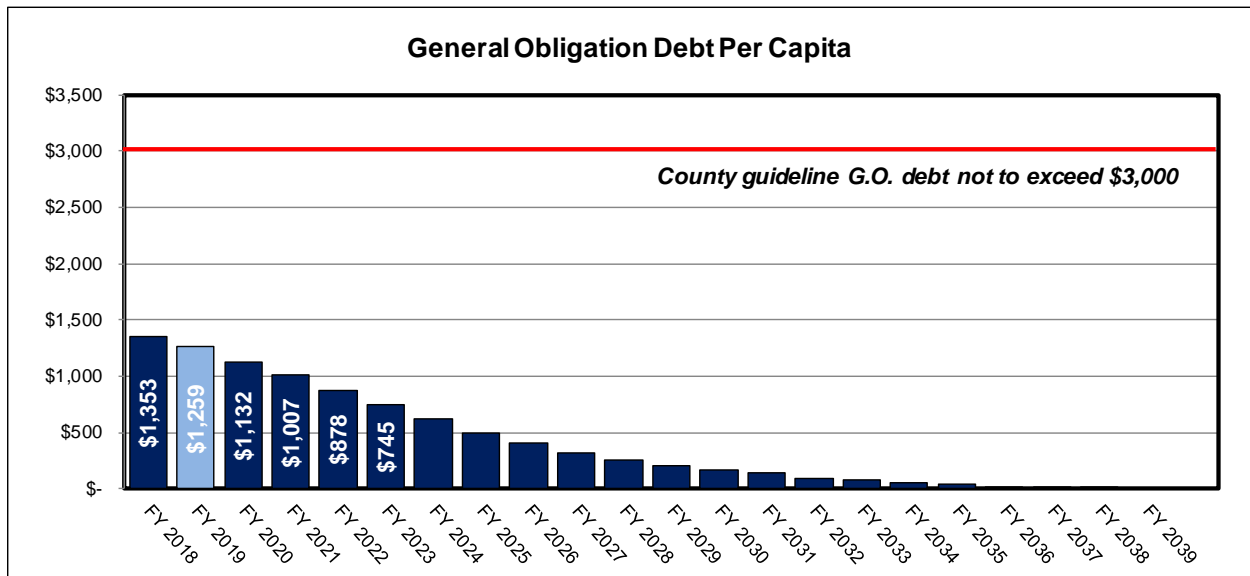
In addition to the statutory limit discussed above, the County has several guidelines it uses when evaluating debt levels. As a practical matter, these local policies limit outstanding general obligation debt to a level far below that of the legal debt limit. The County considers the following internal guidelines when evaluating how much and when to issue additional debt:

- General obligation debt service should not exceed 15% of the operating budget.
- General obligation debt per capita should not exceed \$3,000.
- General obligation debt as a percentage of assessed property valuation should not exceed 3%.

Based on estimates of future debt service for all currently authorized general obligation debt and annual operating budgets, the County will exceed its guideline for general obligation debt service through FY 2019. This is a product of the County tightening its budgets in recent years while continuing to issue the bonds authorized by voters in 2008. Existing debt service is expected to peak at approximately 15.3% of the adopted operating budget in FY 2019.



Although the County will exceed one of its debt guidelines, it will not exceed its guidelines for the two other debt indicators, which are general obligation net debt per capita and general obligation debt as a percent of assessed valuation. For all years, the County remains well below its recommended limits.



IMPACTS OF DEBT REPAYMENT ON THE OPERATING BUDGET

- Over the last several years, the County has reduced department operating budgets to offset the impact of higher debt repayment expense. The additional debt repayment requirements have limited the county's ability to expand programs to meet growing community demands.

- As the charts above indicate, debt repayment expense will remain relatively level over the next several years before decreasing as the County pays down the debt from the 2008 referendum and other issuances for education and general county projects. The spring 2017 issuance of debt, as well as preceding debt issuances will continue to have a significant impact on the County's operating budget. With all of the remaining \$160 million of school bonds and \$27.2 million of 2/3rds bonds sold in April 2017, the county's debt repayment budget increased by approximately \$7.5 million. This is the equivalent of a property tax rate increase of approximately 1.5 cents. Options to avoid or reduce the property tax increase needed to fund additional debt repayment expense include continuing to restrict growth in or elimination of county programs and services or using fund balance to "soften" the debt service peaks (although using fund balance should not be considered a long-term funding source for recurring expenses).