

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 2018 Actual	FY 2019 Adopted	FY 2019 Amended	FY 2020 Recomm	FY 2020 Adopted	\$ chg	% chg
Total Debt Service							
Principal	62,445,585	62,495,000	62,495,000	61,985,000	61,985,000	(510,000)	(0.8%)
Interest	32,279,923	32,657,512	32,657,512	31,175,954	31,175,954	(1,481,558)	(4.5%)
Fees & Other Costs	1,141,447	305,500	310,001	325,000	2,918,701	2,613,201	855.4%
Total	95,866,955	95,458,012	95,462,513	93,485,954	96,079,655	621,643	0.7%
Debt Service by Type							
G.O. Bonds							
Principal	61,170,000	62,395,000	62,395,000	61,885,000	61,885,000	(510,000)	(0.8%)
Interest	31,478,532	31,888,706	31,888,706	30,407,148	30,407,148	(1,481,558)	(4.6%)
<i>Total</i>	<i>92,648,532</i>	<i>94,283,706</i>	<i>94,283,706</i>	<i>92,292,148</i>	<i>92,292,148</i>	<i>(1,991,558)</i>	<i>(2.1%)</i>
Other Capital Related Debt							
Principal	1,275,585	100,000	100,000	100,000	100,000	0	0.0%
Interest	801,391	768,806	768,806	768,806	768,806	0	0.0%
<i>Total</i>	<i>2,076,976</i>	<i>868,806</i>	<i>868,806</i>	<i>868,806</i>	<i>868,806</i>	<i>0</i>	<i>0.0%</i>
Debt Leveling Funds	0	0	0	0	2,593,701	2,593,701	100.0%
Fees & Other Costs	1,141,447	305,500	310,001	325,000	325,000	19,500	6.4%
Total	95,866,955	95,458,012	95,462,513	93,485,954	96,079,655	621,643	0.7%
Debt Service by Purpose							
Guilford County Schools	64,178,375	73,300,865	73,304,321	73,754,406	73,754,406	453,541	0.6%
GTCC	10,191,535	9,985,019	9,985,490	10,205,350	10,205,350	220,331	2.2%
Greensboro Detention	6,734,561	6,833,376	6,833,698	6,984,163	6,984,163	150,787	2.2%
BB&T Building	1,308,175	0	0	0	0	0	0.0%
Priority Projects	1,682,636	3,982,370	3,982,558	3,749,422	3,749,422	(232,948)	(5.8%)
Other	11,771,673	1,356,382	1,356,446	1,386,314	1,386,314	29,932	2.2%
Total	95,866,955	95,458,012	95,462,513	96,079,655	96,079,655	621,643	0.7%
<i>Note: Actual amounts exclude the effects of bond refunding on expenses and revenues.</i>							
Sources of Funds							
<i>ARRA by Purpose</i>							
Schools	1,840,424	1,839,859	1,839,859	1,840,154	1,840,154	295	0.0%
GTCC	329,704	329,768	329,768	329,656	329,656	(112)	(0.0%)
Greensboro Detention	473,950	474,042	474,042	473,880	473,880	(162)	(0.0%)
Other	61,820	61,831	61,831	61,810	61,810	(21)	(0.0%)
Total	2,705,897	2,705,500	2,705,500	2,705,500	2,705,500	0	0.0%

DEPARTMENTAL PURPOSE

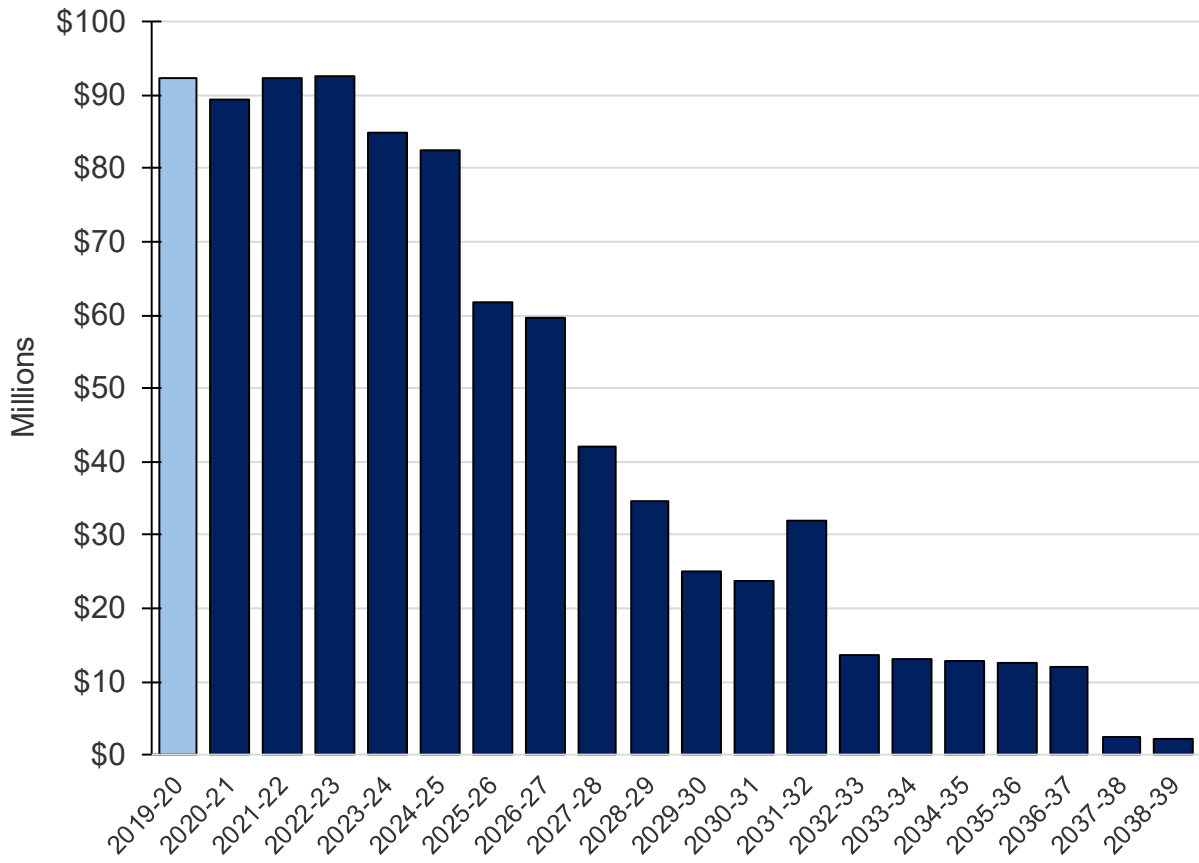
Guilford County issues debt, primarily through the issuance of voter-approved general obligation bonds, to help fund large capital projects, including new schools, detention facilities, emergency services bases, administrative buildings, and other public infrastructure needs.

FY 2020 ADOPTED BUDGET HIGHLIGHTS

- The FY 2020 debt service budget increased by just over \$600,000 or 0.7% due to a combination of scheduled decreases in debt service payments and the addition of debt leveling funds in anticipation of future debt service increases.
- Debt service payments in FY 2020 will decrease \$2.0 million or 2.1% from the FY 2019 Adopted budget in accordance with the existing bond payment schedules and the refunding of all variable rate debt to fixed rate in prior fiscal years. The County's current bond portfolio is 100% fixed rate which simplifies and clarifies budgeting for future years' debt service since the County's debt portfolio will be stable until new debt is incurred.
- The FY 2020 budget also includes \$2.59 million for debt leveling to keep county funds at the FY 2019 Adopted amount in anticipation of higher future year debt payments and to help offset expenses associated with future school bonds for projects recommended in the joint school facility study.
- Other than debt leveling funds, the budget does not make provision issuance costs associated with any potential future debt issuance for schools or county capital improvement needs; instead costs on these issuances will either be offset by or included through structuring of debt payments and/or use of bond premiums at the time of issuance.
- 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 initially funded with \$27.195 million in 2/3rds bonds that were issued immediately prior to the final 2008 school and community college bonds in FY 2017 with additional funding from up \$40.0 million in 2/3rds bonds issued in FY 2019. The current planned breakdown of bond use by project is as follows:

Project	Total Budget	Bonds Issued	Bond Premiums	Other Funding & Transfers	Total Planned Funding	Funding Needed
Animal Shelter Replacement	15,300,000	13,870,000	1,450,108	131,109	15,451,217	(151,217)
Emergency Services					-	-
Phase I - Maintenance & Logistics	14,416,463	11,363,463	-	3,053,000	14,416,463	-
Phases II & III - Administration & EOC	15,700,000	-	-	-	-	15,700,000
Old Courthouse Renovation	3,500,000	3,500,000	-	-	3,500,000	-
Law Enforcement Administration Facility	12,000,000	12,136,537	-	-	12,136,537	(136,537)
Edgeworth Bldg Renovation	3,500,000	3,500,000	-	-	3,500,000	-
Mental Health Replacement Facility	20,000,000	3,100,000	-	16,900,000	20,000,000	-
Sandhills Administration Building	5,000,000	5,000,000	-	-	5,000,000	-
Guilford County Schools Security	10,000,000	10,000,000	-	-	10,000,000	-
General Project Cost Contingency	-	4,725,000	630,426	-	5,355,426	(5,355,426)
Total Funding	99,416,463	67,195,000	2,080,534	20,084,109	89,359,643	10,056,820

Estimated Debt Repayment Budgets General Obligation Bond Debt



Estimated Annual Debt Service Payments

Existing and Planned Issues - All Debt

Fiscal Year	Principal	Interest	Total
2018-19	62,495,000	32,657,510	95,152,510
2019-20	61,985,000	31,186,066	93,171,066
2020-21	61,600,000	28,670,985	90,270,985
2021-22	67,185,000	25,902,594	93,087,594
2022-23	70,715,000	22,633,436	93,348,436
2023-24	66,290,000	19,549,941	85,839,941
2024-25	66,850,000	16,525,009	83,375,009
2025-26	49,380,000	13,305,376	62,685,376
2026-27	49,600,000	10,910,169	60,510,169
2027-28	34,360,000	8,572,124	42,932,124
2028-29	31,760,377	6,985,766	38,746,143
2029-30	23,970,000	5,622,909	29,592,909
2030-31	23,670,000	4,621,326	28,291,326
2031-32	32,535,000	3,933,260	36,468,260
2032-33	11,570,000	2,040,770	13,610,770
2033-34	11,570,000	1,591,570	13,161,570
2034-35	11,570,000	1,222,270	12,792,270
2035-36	11,570,000	863,483	12,433,483
2036-37	11,570,000	503,675	12,073,675
2037-38	2,220,000	133,200	2,353,200
2038-39	2,220,000	66,600	2,286,600
2039-40	0	0	0
Total	764,685,377	237,498,039	1,002,183,416

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
2018-19	62,395,000	31,888,704	94,283,704				94,283,704
2019-20	61,885,000	30,417,260	92,302,260				92,302,260
2020-21	61,500,000	27,902,179	89,402,179				89,402,179
2021-22	67,085,000	25,133,788	92,218,788				92,218,788
2022-23	70,615,000	21,864,631	92,479,631				92,479,631
2023-24	66,190,000	18,781,136	84,971,136				84,971,136
2024-25	66,750,000	15,756,203	82,506,203				82,506,203
2025-26	49,280,000	12,536,571	61,816,571				61,816,571
2026-27	49,500,000	10,141,363	59,641,363				59,641,363
2027-28	34,260,000	7,803,318	42,063,318				42,063,318
2028-29	28,355,000	6,216,961	34,571,961				34,571,961
2029-30	20,095,000	4,854,103	24,949,103				24,949,103
2030-31	19,820,000	3,852,521	23,672,521				23,672,521
2031-32	28,715,000	3,164,454	31,879,454				31,879,454
2032-33	11,570,000	2,040,770	13,610,770				13,610,770
2033-34	11,570,000	1,591,570	13,161,570				13,161,570
2034-35	11,570,000	1,222,270	12,792,270				12,792,270
2035-36	11,570,000	863,483	12,433,483				12,433,483
2036-37	11,570,000	503,675	12,073,675				12,073,675
2037-38	2,220,000	133,200	2,353,200				2,353,200
2038-39	2,220,000	66,600	2,286,600				2,286,600
2039-40							
Total	748,735,000	226,734,758	975,469,758	0	0	0	975,469,758

160A-20 Qualified School Construction Bonds (QSCBs)

2/3rds G.O. Bonds for Priority Projects

Fiscal Yr	Principal	Interest	Total	Principal	Interest	Total
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	1,455,000	2,180,918	3,635,918
2020-21	100,000	768,806	868,806	1,455,000	2,229,720	3,684,720
2021-22	100,000	768,806	868,806	3,123,750	2,156,970	5,280,720
2022-23	100,000	768,806	868,806	3,123,750	2,000,783	5,124,533
2023-24	100,000	768,806	868,806	3,123,750	1,844,595	4,968,345
2024-25	100,000	768,806	868,806	3,123,750	1,688,408	4,812,158
2025-26	100,000	768,806	868,806	3,123,750	1,532,220	4,655,970
2026-27	100,000	768,806	868,806	3,123,750	1,376,033	4,499,783
2027-28	100,000	768,806	868,806	3,028,750	1,219,845	4,248,595
2028-29	3,405,377	768,806	4,174,183	3,028,750	1,082,008	4,110,758
2029-30	3,875,000	768,806	4,643,806	3,025,000	944,170	3,969,170
2030-31	3,850,000	768,806	4,618,806	3,025,000	823,170	3,848,170
2031-32	3,820,000	768,806	4,588,806	3,025,000	702,170	3,727,170

2032-33				3,025,000	594,770	3,619,770
2033-34				3,025,000	487,370	3,512,370
2034-35				3,025,000	379,970	3,404,970
2035-36				3,025,000	287,520	3,312,520
2036-37				3,025,000	194,050	3,219,050
2037-38				1,665,000	99,900	1,764,900
2038-39				1,665,000	49,950	1,714,950
2039-40						
Total	15,950,377	10,763,281	26,713,658	56,695,000	22,999,510	79,694,510

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

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 1.33% of the assessed value of taxable property, well below the 8% statutory limit, and its unused debt capacity (the 'Legal Debt Margin') is approximately \$3.5 billion.

COMPUTATION OF LEGAL DEBT MARGIN	
Fiscal Year Ending June 30, 2019	
Estimated appraised property valuation ¹	<u>\$ 52,630,529,725</u>
Debt limit (8% of total assessed valuation)	\$ 4,210,442,378
Debt applicable to debt limit:	
<i>Bonded debt</i>	\$ 686,340,000
<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	\$ 703,185,000
Less statutory deductions:	
<i>Refunding bonds authorized, but unissued</i>	\$ -
<i>Amounts held in sinking funds</i>	\$ (615,031)
<i>Bonds issued and outstanding for water purposes</i>	<u>\$ (410,517)</u>
	\$ (1,025,548)
Net debt applicable to limit	\$ 702,159,452
As a percentage of total assessed valuation	1.33%
Legal debt margin (Debt Limit less Net Debt)	\$ 3,508,282,926

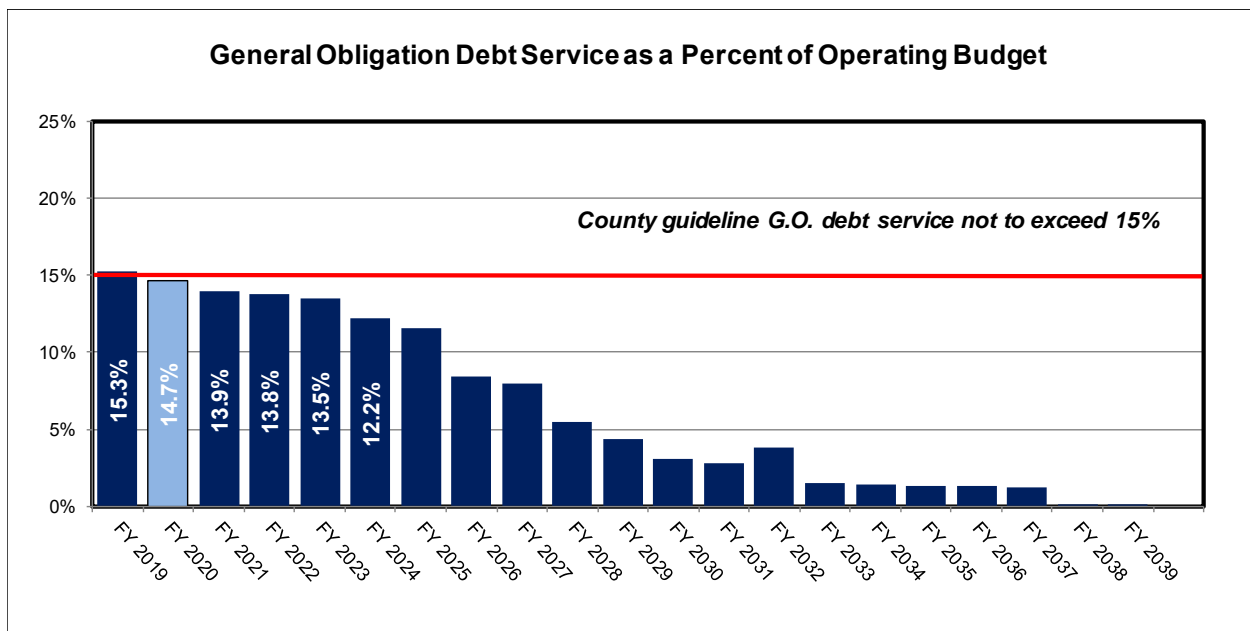
¹ Indicates estimated assessed property valuation per Tax Department

Local Debt Guidelines

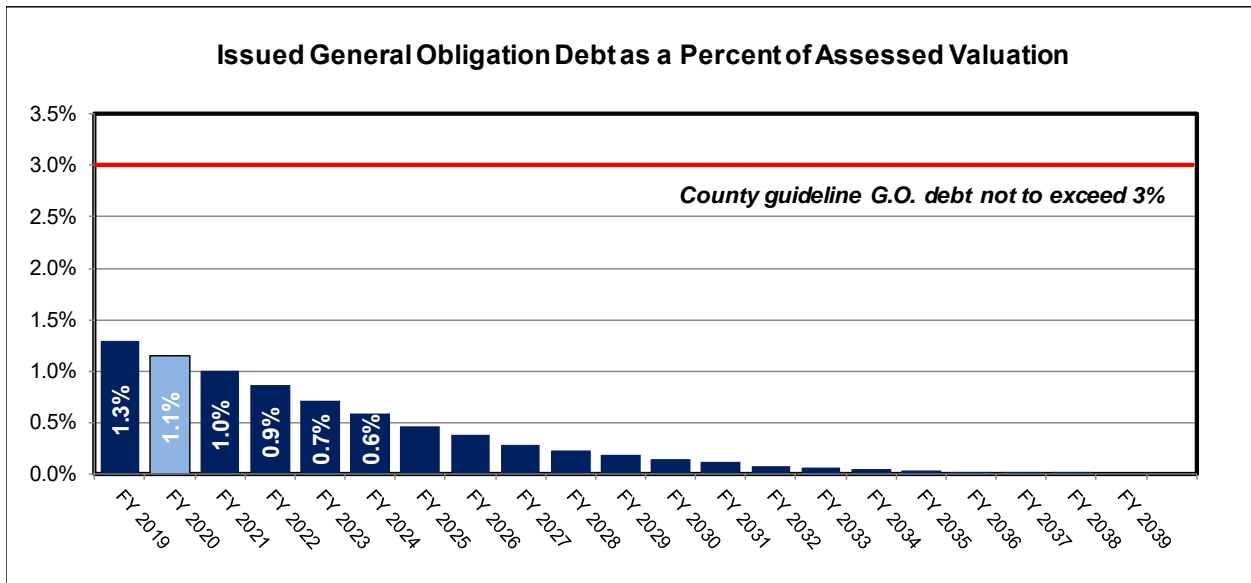
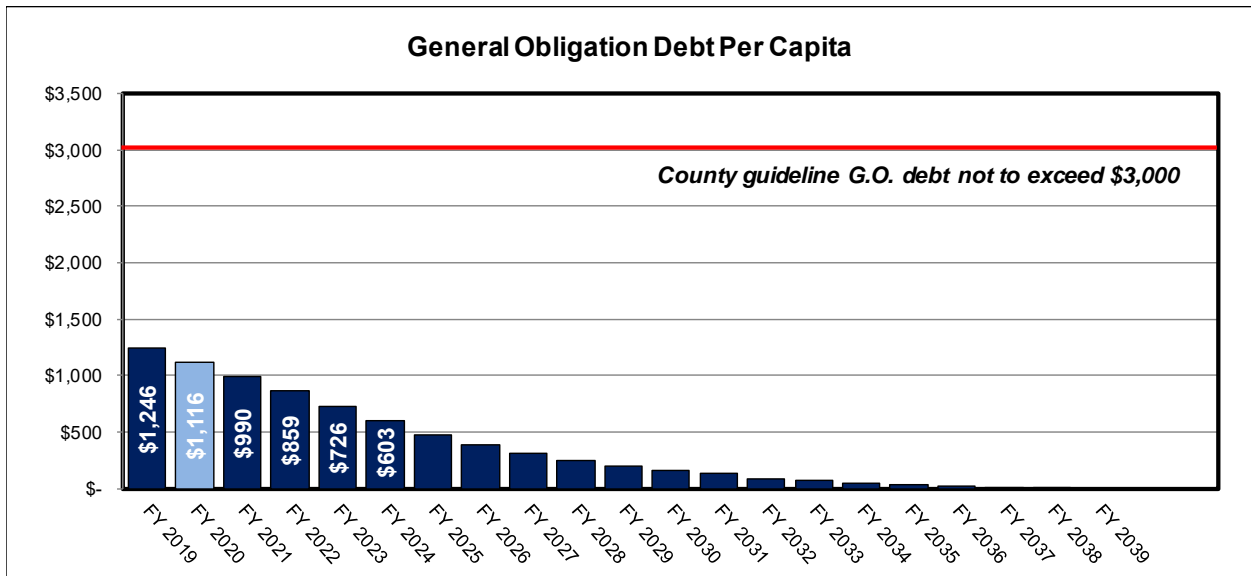
In addition to the statutory limit discussed above, the County has several guidelines it uses when evaluating debt levels. As a practical matter, these local policies limit outstanding general obligation debt to a level far below that of the legal debt limit. The County considers the following internal 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 issuing both bonds authorized by voters in 2008 and additional 2/3rds bonds for capital improvement needs. 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 2019 issuance of debt, as well as preceding debt issuances will continue to have a significant impact on the County's operating budget. 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).