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# DEBT SERVICE

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## PROGRAM DESCRIPTION

The debt service fund was established July 1, 1987 to provide for the annual repayment of bonded debt principal and interest, lease-purchase principal and interest and bond agency fees. Long-term debt, with the exception of the enterprise fund's (water and sewer) debt service and the equipment leasing fund's lease-purchase payments is accounted for in this fund. Prior to 1987, this appropriation was included in the general fund.

On November 4, 1986, Durham County voters approved \$120,600,000 in general obligation bonds for a variety of capital projects included in the capital improvement plan. For the purposes of repayment, the Durham County Board of Commissioners established a capital financing plan, dedicating selected revenues to the retirement of debt as well as to pay-as-you-go financing (see Capital Financing Fund narrative). In FY1994-95, the remaining authorized bonds from 1986 and 1991 were issued.

In addition, on March 12, 1991, Durham County voters approved an education bond issue totaling \$131.9 million. Proceeds from the issue were used to construct and renovate public schools (\$125 million); add a wing to the N.C. Museum of Life and Science (\$3.8 million); and develop a \$3.1 million satellite campus for Durham Technical Community College.

Debt service payments also paid for construction of the new Detention Facility that was financed with certificates of participation sold on April 30, 1991. In 1997 these COPS were refinanced resulting in a reduction in the annual debt service.

In February 2001, the County refunded approximately \$87 million in 1992, 1993, and 1994 bonds to take advantage of declining interest rates. Again, the County will save approximately \$3,900,000 on debt service costs over time. In addition, the 1993 variable rate bonds were defeased and refinanced as fixed rate bonds.

### 2001 Bond Authorization

School Facilities	\$51,800,000
Library Facilities	\$10,270,000
Museum	\$5,840,000
Recreational Facilities	\$5,550,000
Health Care Facilities	\$1,200,000
<b>Total</b>	<b>\$74,660,000</b>

A bond referendum held on November 6, 2001 was approved by voters, giving the County the authority to issue general obligation bonds in an aggregate principal amount not to exceed \$74,660,000 to finance the construction of selected capital projects. A summary of this referendum is included in the table to the left.

The County issued two-thirds debt proceeds in January 2002, amounting to \$11,050,000 in general obligation bonds. The Public Improvement Bonds represent a consolidation of \$5,910,000 Public Building Bonds and \$5,140,000 Library Facilities Bonds.

Also in January 2002, the County refunded approximately \$35 million in outstanding Bonds, Series 1992, resulting in a savings of over \$1.5MM.

In April 2002, the County sold \$68,410,000 of the total 2001 authorization amount of \$74,660,000. The general obligation bonds represent a consolidation of \$51,800,000 School Bonds, \$10,270,000 Library Facilities Bonds, \$4,840,000 Museum Bonds, \$1,000,000 Recreational Facilities Bonds and \$500,000 Health Care Facilities Bonds.

### 2003 Bond Authorization

School Facilities	\$105,315,000
Library Facilities	\$4,637,262
Museum	\$5,184,513
Durham Tech. CC	\$8,200,000
Issuance Costs	\$663,225
<b>Total</b>	<b>\$124,000,000</b>

A bond referendum held in November 2003 was approved by voters, giving the County the authority to issue general obligation bonds in an aggregate principal amount not to exceed \$124,000,000 to finance the construction of selected capital projects. A summary of this referendum is shown in the table to the left.

In April 2004 the County issued \$40.6 million of the total 2003 authorization amount of \$124,000,000, and the final \$6 million of the total 2001 authorization amount of \$74,660,000 in general obligation debt. These bond funds are supporting \$26.13 million in school projects, \$5.18 million for the NC Museum of Life & Science, \$4.64 million for libraries, and \$4.2 million for Durham Technical Community College. Bond issuance costs make up the remaining funds.

# Fund: Debt Service Fund

Fund: 304

	2002-03 Actual Expenditures	2003-04 Original Budget	2003-04 12 Month Estimate	2004-05 Department Requested	2004-05 Commissioner Approved
<b>Function: Other</b>					
Debt Service	\$29,424,175	\$32,214,704	\$31,014,119	\$35,186,815	\$34,586,815
Interfund Transfers	\$0	\$0	\$0	\$0	\$0
Reserve	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>	<b><u>\$29,424,175</u></b>	<b><u>\$32,214,704</u></b>	<b><u>\$31,014,119</u></b>	<b><u>\$35,186,815</u></b>	<b><u>\$34,586,815</u></b>
<i>Revenues</i>					
Enterprise Charges	\$276,998	\$269,848	\$269,848	\$262,362	\$262,362
Miscellaneous Income	(\$175,389)	\$0	\$26,712	\$776,712	\$776,712
Other Revenue	\$29,348,856	\$31,944,856	\$30,732,768	\$34,147,741	\$33,547,741
<b>Total Revenue</b>	<b><u>\$29,450,465</u></b>	<b><u>\$32,214,704</u></b>	<b><u>\$31,029,328</u></b>	<b><u>\$35,186,815</u></b>	<b><u>\$34,586,815</u></b>
<b>Net Expenditures</b>	<b><i>(\$26,289)</i></b>	<b><i>\$0</i></b>	<b><i>(\$15,209)</i></b>	<b><i>\$0</i></b>	<b><i>\$0</i></b>
<b>FTE's</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

Also in April 2004, the County issued \$10.6 million in two-thirds general obligation debt to support three ongoing capital projects: \$7.63 million for a new Justice Center, \$2.48 million for a new Human Services Complex, and \$381,000 for renovations to the Headstart/YMCA building. Bond issuance costs make up the remaining funds.

The portion of the county tax rate dedicated to fund the Capital Financing Plan is increased from 7.2 cents to 8.81 cents. This increase is due primarily to new debt payments for recently issued debt, as well as slower than projected growth in dedicated sales and occupancy tax.

North Carolina law limits local government net debt to 8% of assessed value. Based on current valuations, the county could issue \$1,608,341,366 in debt. At this writing the county has \$254,930,000 in outstanding general obligation debt. An additional \$28,715,000 in certificates of participation are not included in this legal limit.

The following shows bond payments for the Debt Service Fund. Note: Information on the separate Enterprise Debt Service Fund may be found behind the Enterprise Fund tab of this booklet.

	2002-03 Actual	2003-04 Original Budget	2003-04 12 Month Estimate	2004-2005 Requested	2004-05 Approved
<b>BOND PRINCIPAL</b>	\$15,485,892	\$17,811,854	\$15,396,996	\$16,566,993	\$16,566,993
<b>BOND INTEREST</b>	\$9,871,912	\$10,318,286	\$9,373,347	\$11,139,232	\$10,539,232
<b>OTHER*</b>	\$4,066,371	\$4,084,564	\$5,718,901	\$7,480,590	\$7,480,590
<b>TOTAL</b>	\$29,424,175	\$32,214,704	\$30,489,244	\$35,186,815	\$34,586,815

\*Includes Other Debt Service, Bond Agency Fees, and Debt Sale Expenditures.