



## **Debt Service Fund**

A fund established to account for the repayment of debt principal and interest

# DEBT SERVICE FUND



**GOAL 5 ACCOUNTABLE, EFFICIENT AND VISIONARY GOVERNMENT:** An effective organization committed to continuous innovation, exceptional customer service, transparency, and fiscal responsibility.

## Description

The Debt Service Fund was established in 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 debt service, is accounted for in this fund. Prior to 1987, this appropriation was included in the General Fund.

- 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 \$123.66 million to finance the construction of selected capital projects. A summary of this referendum is shown in the table to the right.

| 2003 Bond Authorization                   |                      |
|---|----------------------|
| Durham Public Schools Facilities          | \$105,315,000        |
| Library Facilities                        | \$4,637,262          |
| North Carolina Museum of Life and Science | \$5,184,513          |
| Durham Technical Community College        | \$8,200,000          |
| Issuance Costs                            | \$328,225            |
| <b>TOTAL</b>                              | <b>\$123,665,000</b> |

- In April 2004, the County issued \$40.6 million of the total 2003 authorization and the final \$6 million of the total 2001 authorization in general obligation debt. These bond funds are supporting \$26.13 million in school projects, \$5.18 million for the North Carolina Museum of Life and Science, \$4.64 million for libraries, and \$4.2 million for Durham Technical Community College. Bond issuance costs make up the remaining funds.
- 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 Head Start/YMCA Building. Bond issuance costs make up the remaining funds.
- In May 2006, the County issued another \$49.2 million of general obligation bonds authorized in the 2003 bond referendum. These funds support \$45 million in Durham Public Schools projects and \$4 million for Durham Technical Community College projects. Also in May 2006, the County issued \$12.2 million in two-thirds general obligation debt to support the following projects: Animal Control Facility, open space, Southwest Branch Library, Durham Public Schools’ Holton project, Stanford L. Warren Library project, Emergency Medical Services Station #2, Human Services project, Senior Center project, and Board of County Commissioners’ boardroom project, as well as issuance costs.
- A bond referendum held in November 2007 was approved by voters, giving the County the authority to issue general obligation bonds in an aggregate principal amount not to exceed \$207.1 million to finance the construction of selected capital projects.

| 2007 Bond Authorization            |                      |
|------------------------------------|----------------------|
| Durham Public Schools Facilities   | \$193,448,205        |
| NC Museum of Life and Science      | \$4,170,812          |
| Durham Technical Community College | \$8,680,000          |
| Issuance Costs                     | \$800,983            |
| <b>TOTAL</b>                       | <b>\$207,100,000</b> |

- In April 2007, the County issued the final \$34.09 million of general obligation bonds authorized in the 2003 bond referendum. All funds were allotted to Durham Public Schools projects. Also in April 2007, the County issued \$12.1 million in two-thirds general obligation debt to support six capital projects: \$3.8 million for Criminal Justice Resource Center renovations, \$500,000 for Main Library renovations, \$700,000 for Administration Building renovations, \$350,000 for Emergency Medical Services Station #1 renovations, \$2.7 million for Holton School (CIS Academy), and \$3.95 million for Durham Public Schools’ future land purchases.
- \$60 million of voter-approved 2007 GO bond funds were issued in 2010 for Durham Public Schools, Durham Technical Community College (DTCC), and the NC Museum of Life & Science (NCMLS). Another \$60 million was issued in 2012 for Durham Public Schools. A third issuance of \$51 million was carried out in 2014 for Durham Public Schools. \$39.9 million of unissued 2007 GO bonds is expected to be spent over the next three years for Durham Public Schools and Durham Technical Community College.
- Durham County issued \$125 million in non-general obligation bond funds during FY 2012-13 for various projects including the new Justice Center, (former) judicial building renovations, and a County storage facility.
- A General Obligation bond referendum in November of 2016 approved by a large majority of Durham County citizens supports Main Library renovations, Durham Public Schools infrastructure, Durham Technical Community College capital needs, and North Carolina Museum of Life and Science renovations

## Budget

| Category               | FY 2019-20<br>Actual | FY 2020-21<br>Original | FY 2020-21<br>Estimated | FY 2021-22<br>Requested | FY 2021-22<br>Approved | % Change<br>Orig. v. Appr. |
|------------------------|----------------------|------------------------|-------------------------|-------------------------|------------------------|----------------------------|
| <b>Expenditure</b>     | <b>\$165,803,535</b> | <b>\$68,135,847</b>    | <b>\$63,792,239</b>     | <b>\$77,988,909</b>     | <b>\$80,988,909</b>    | <b>18.86%</b>              |
| Other Expenditure      | \$163,821,535        | \$68,135,844           | \$63,792,239            | \$77,988,909            | \$77,988,909           | 14.46%                     |
| Transfers Out          | \$1,982,000          | \$3                    |                         |                         | \$3,000,000            | 99999900.00%               |
| <b>Revenue</b>         | <b>\$174,499,909</b> | <b>\$68,135,847</b>    | <b>\$67,633,485</b>     | <b>\$77,988,909</b>     | <b>\$80,988,909</b>    | <b>18.86%</b>              |
| Intergovernmental      | \$730,758            |                        |                         |                         |                        |                            |
| Investment Income      | \$845,767            | \$308,416              | \$308,416               | \$267,461               | \$267,458              | -13.28%                    |
| Service Charges        | \$493,293            | \$500,000              | \$404,977               | \$500,000               | \$500,000              | 0.00%                      |
| Transfers In           | \$172,430,091        | \$67,327,431           | \$66,920,092            | \$77,221,448            | \$80,221,451           | 19.15%                     |
| <b>Net County Cost</b> | <b>(\$8,696,374)</b> | <b>\$0</b>             | <b>(\$3,841,246)</b>    | <b>\$0</b>              | <b>\$0</b>             |                            |

- During the 2016 General Obligation Bond referendum, voters were told that up to 2.5 cents of additional property tax would be needed to support the additional GO Bond debt along with other debt issuances the County planned to make over the 10-year view of the 2017-26 Capital Improvement Plan (CIP). After several recent refinancings of existing debt, along with revised future debt costs and slower than expected debt issuance the property tax increase needed to support ongoing debt service resulted in a 1.75 cents property tax increase in FY 2017-18.
- For FY 2021-22, the portion of the County tax rate dedicated to fund the Capital Financing Plan, which helps support debt service payments stays flat at 8.61 cents.
- North Carolina law limits local government net debt to 8% of assessed value. Based on current valuations, the County could issue \$3.52 billion in debt. At this writing, the county has \$249.6 million in outstanding general obligation debt. An additional \$259.4 million in Limited Obligation Bond debt and \$57.6 million of installment purchases (short term debt) is not included in this legal limit.

| 2016 Bond Authorization            |                      |
|------------------------------------|----------------------|
| Durham Public Schools Facilities   | \$90,000,000         |
| NC Museum of Life and Science      | \$14,067,705         |
| Durham Technical Community College | \$20,000,000         |
| Main Library Renovations           | \$44,297,262         |
| Issuance Costs                     | \$1,635,033          |
| <b>TOTAL</b>                       | <b>\$170,000,000</b> |

The following table shows bond payments for the Debt Service Fund. Note: Information on Enterprise Fund debt service may be found in the Enterprise Fund section of this document.

|                       | 2019-20<br>Actual<br>Expenditures | 2020-21<br>Original<br>Budget | 2020-21<br>12 Month<br>Estimate | 2021-22<br>Department<br>Requested | 2021-22<br>Commissioner<br>Approved |
|-----------------------|-----------------------------------|-------------------------------|---------------------------------|------------------------------------|-------------------------------------|
| <b>BOND PRINCIPAL</b> | \$27,425,000                      | \$27,680,000                  | \$27,680,000                    | \$30,335,000                       | \$30,335,000                        |
| <b>BOND INTEREST</b>  | \$10,507,750                      | \$9,261,364                   | \$9,261,364                     | \$9,872,763                        | \$9,872,763                         |
| <b>OTHER*</b>         | \$133,671,386                     | \$34,691,071                  | \$101,832,413                   | \$37,781,146                       | \$37,781,146                        |
| <b>TOTAL</b>          | <b>\$171,604,136</b>              | <b>\$71,632,435</b>           | <b>\$138,773,777</b>            | <b>\$77,988,909</b>                | <b>\$77,988,909</b>                 |

\*Includes other debt service, bond agency fees, and debt sale expenditures.

## Budget Highlights

- The Debt Service Fund is transferring \$3 million of available fund balance to the General Fund to support the need for various capital purchases and operational needs. This will be a one-time transfer.