

DEBT SERVICE BUDGET

Local governments traditionally issue debt to pay for capital projects for several reasons. First, the cost of these projects is normally too high to absorb into an annual budget. Second, due to inflationary increases, the cost of delaying a project until it can be financed on a pay-as-you-go basis can approach the costs of financing. Third, financing spreads the cost of the project to future populations who also benefit from the use of the facility or improvement paid for with the borrowed funds.

The revenue sources pledged to debt costs are diverse. There are four outstanding "general obligation" bond issues, which are funded through voter-approved property tax levies. The remainder of the County's bond issues use other revenue sources for repayment. Some debt service issues pledge a specific source such as gas taxes, waste disposal fees, airport rents and landing fees, or water and sewer charges. The County has also issued long-term debt, which pledges other "non-ad valorem revenue" sources including sales taxes, interest earnings, state revenue sharing, and other miscellaneous fees and charges. Both Certificates of Participation and the Loan Pool utilize non-ad valorem revenue sources as the primary pledge.

The County utilizes commercial paper and the First Florida Loan Pool for short-term borrowing needs. In some cases, commercial paper is issued in anticipation of a major bond issue in order to provide temporary funding for capital projects in advance of the receipt of bond proceeds. The County also utilizes commercial paper and the Loan Pool to obtain funds for capital items with short asset lives such as vehicles and equipment.

The fiscal year 2009 net debt service budget is approximately \$379 million, which is 13 percent more than the \$336 million debt service budget of the prior fiscal year. Net debt service for FY2009 would be flat but for the four new reserves established to pay down debt annually in order to yield recurring savings in the General Fund. The remaining variances in the debt service reflect programmed changes in the debt service schedule.

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