

**Rutherford County Debt Report**  
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**Presented to the Rutherford County Board of Commissioners and the**  
**Rutherford County Board of Education on March 4, 2009**

## **Introduction**

The following report is provided to supply information in relation to Rutherford County's issued debt. This report is divided into the following sections: Rutherford County Debt History, Purpose of Rutherford County Indebtedness, Rutherford County Legal Debt Margin and Statewide Debt Comparison, Rutherford County Debt Detail, Components of Understanding Debt, Value of Debt Financing, Current Status of School Capital Reserve Fund, County Building Capital Reserve Fund and Water and Sewer Capital Reserve Fund, and Summary.

An additional purpose of this report is to provide Commissioners and School Board Members with factual information to make decisions on future debt issuances. In addition, this report can serve as valuable information to the public in order to better understand this issue in both historical terms and the present.

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## **Rutherford County Debt History**

Beginning in 1990, Rutherford County began an aggressive building program, principally in the area of school construction. As Chart One, **Summary of Debt Outstanding as % of Property Value for Fiscal Years Ending 1990-2009** shows, Rutherford County has incurred \$137,982,429 in debt during this twenty year period. The debt incurred in FY2008-2009 will add \$5,938,838 to the previous debt balance on 6-30-08 of \$71,921,640. This will result in a projected debt balance of \$69,983,857 on 6-30-09 based on the debt payments scheduled to be made in FY2008-2009 in the amount of \$7,876,621.

Rutherford County's debt as a percentage of property value peaked in 1994 at 2.37%. As this chart shows it is projected to be 1.19% on 6-30-09. This will be a seven year low based on property values. In other words, it will be at a seven year low based on the county's theoretical ability to pay.

**Chart One: Rutherford County, NC**  
**Summary of Debt Outstanding as % of Property Value**  
**For Fiscal Years Ending 1990 - 2009**

FY Ended							Debt as % of
	Beg Debt Balance	Debt Incurred	Debt Paid	End Debt Balance	Property Valuation	Prop Value	
2009	\$ 71,921,640	\$ 5,938,838	\$ 7,876,621	\$ 69,983,857	\$ 5,868,300,000	<b>1.19%</b>	
2008	\$ 58,234,686	\$ 20,009,270	\$ 6,322,316	\$ 71,921,640	\$ 5,763,453,000	1.25%	
2007	\$ 55,990,633	\$ 7,906,198	\$ 5,662,145	\$ 58,234,686	\$ 4,268,223,000	1.36%	
2006	\$ 53,864,028	\$ 7,157,800	\$ 5,031,195	\$ 55,990,633	\$ 4,101,537,000	1.37%	
2005	\$ 57,140,178	\$ 1,139,009	\$ 4,415,159	\$ 53,864,028	\$ 3,952,494,000	1.36%	
2004	\$ 60,545,049	\$ 767,335	\$ 4,172,206	\$ 57,140,178	\$ 3,900,698,000	1.46%	
2003	\$ 32,398,883	\$ 31,252,470	\$ 3,106,304	\$ 60,545,049	\$ 3,929,689,000	1.54%	
2002	\$ 31,858,631	\$ 3,753,000	\$ 3,212,748	\$ 32,398,883	\$ 3,211,673,000	1.01%	
2001	\$ 34,438,725	\$ 536,658	\$ 3,116,752	\$ 31,858,631	\$ 3,134,189,000	1.02%	
2000	\$ 36,269,549	\$ 1,198,115	\$ 3,028,939	\$ 34,438,725	\$ 3,087,216,000	1.12%	
1999	\$ 38,125,370	\$ 1,099,000	\$ 2,954,821	\$ 36,269,549	\$ 3,016,565,000	1.20%	
1998	\$ 41,008,127	\$ 200,000	\$ 3,082,757	\$ 38,125,370	\$ 2,985,107,000	1.28%	
1997	\$ 43,614,055	\$ 496,134	\$ 3,102,062	\$ 41,008,127	\$ 2,799,619,000	1.46%	
1996	\$ 45,701,361	\$ 970,674	\$ 3,057,980	\$ 43,614,055	\$ 2,691,902,000	1.62%	
1995	\$ 47,452,894	\$ 1,125,175	\$ 2,876,708	\$ 45,701,361	\$ 2,611,532,000	1.75%	
1994	\$ 37,098,662	\$ 13,489,389	\$ 3,135,157	\$ 47,452,894	\$ 2,005,663,000	<b>2.37%</b>	
1993	\$ 29,015,112	\$ 10,001,719	\$ 1,918,169	\$ 37,098,662	\$ 1,988,630,000	1.87%	
1992	\$ 30,759,356	\$ 208,500	\$ 1,952,744	\$ 29,015,112	\$ 1,958,331,000	1.48%	
1991	\$ 16,535,880	\$ 15,343,500	\$ 1,120,024	\$ 30,759,356	\$ 1,912,581,000	1.61%	
1990	\$ 1,578,695	\$ 15,389,645	\$ 432,460	\$ 16,535,880	\$ 1,879,706,000	0.88%	
<b>Totals</b>		<b>\$ 137,982,429</b>	<b>\$ 69,577,267</b>				

\* Total incurred and paid have been adjusted for refinancings of \$25,410,000 that occurred in FY 2003 and \$25,575,000 in FY 1994. These figures are net of the amount refinanced and the new financing to not inflate the amounts incurred and paid.

## **Purpose of Rutherford County Indebtedness**

Rutherford County's debt is divided into five categories: Public School financing, county building financing, water and sewer financing, lease purchase short term debt, and ICC building financing.

### **Public School Financing:**

A total of \$54,543,013, or over 75% of the county's debt relates to educational facilities. This debt is being serviced by the School Capital Reserve Fund (with the exception of a portion of the Lifelong Learning Center which is paid by the County Building Capital Reserve Fund). Revenues for the School Capital Reserve Fund come from 94% of the Article 40 sales tax, 60% of the Article 42 sales tax, ADM funds set aside by the state from corporate income tax, lottery funds and interest earnings. The County is required by State statute to use 30% of Article 40 and 60% of Article 42 sales tax, the ADM funds and the lottery funds, as well as the interest earned on all of these, for school construction and/or capital needs.

### **County Building Financing:**

A total of \$11,096,196, or over 15%, of the county's debt relates to the county building program. For the most part, this debt is being serviced by the County Building Capital Reserve Fund. Revenues for the County Building Capital Reserve Fund come from 40% of the Article 42 sales tax, 2.1 cents of the county property tax and interest earnings. In addition, two debt issues with amounts outstanding of \$960,071 and \$1,213,334 are repaid by the general fund. These are for the 74 Corporate Center.

### **Water and Sewer Financing:**

A total of \$3,239,830 or 4.5% of the county's debt relates to the County Water and Sewer Capital Reserve Fund. This debt is being serviced by 7% of the Article 39 one cent of county sales tax, tap fees, and interest earnings.

### **Lease Purchase Short Term Debt**

A total of \$3,042,601 or 4.23% of the county's debt relates to lease purchase. Annual purchases of vehicles, computer technology equipment and other capital items are financed for periods from three to five years. These amounts are paid by the fund that benefits from the purchase (i.e. general, 911, Register of Deeds Automation Enhancement, etc.)

### **ICC Building Financing:**

Revenues for the ICC Capital Reserve Fund come from 6% of the Article 40 sales tax and interest earnings. Currently ICC has used funds from their building fund to pay annual capital cost. This is included for informational purposes since these funds have a dedicated revenue stream and the college may request the ability to borrow funds in the future.

The attached Appendix One, **Detail for Rutherford County Debt 6-30-2008**, illustrates each debt issuance by purpose, amount, payment source and final payment date.

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## Rutherford County Debt Detail

Rutherford County's total debt is \$71,921,640 as of June 30, 2008. As stated in the previous section, Appendix One, **Detail for Rutherford County Debt**, outlines the county's debt by purpose, amount, payment source, and final payment date.

Chart Two below, **Summary by Source of Payment**, groups the county debt by source of payment.

<b>Chart Two: Summary by Source of Payment</b>		
Total debt to be paid from School Capital Reserve	\$54,098,104	Represents 75.22% of total debt
Total debt to be paid from County Building Capital Reserve Fund	\$9,367,700	Represents 13.03% of total debt*
Total debt to be paid from Water and Sewer Capital Reserve Fund	\$3,239,830	Represents 4.50% of total debt
Total debt to be paid from General Fund	\$5,216,006	Represents 7.25% of total debt**
Total Installment Financing/GO Debt Outstanding June 30, 2008	\$71,921,640	

\*Note that the county pays 10% of the financing that includes the Lifelong Learning Center from the County Building Capital Reserve Fund. This explains the difference in figures shown here as compared to the more detailed schedule shown in Appendix One.

\*\*58.33% of this debt will be paid by the year 2012