DEBT SERVICE FUND

DEBT MANAGEMENT

The purpose of the Shelby County debt management policy is to manage the issuance of the County's debt obligations, maintain the County's ability to incur debt and other long-term obligations at favorable interest rates. Debt is issued primarily for school construction and major improvements. Debt may also be issued for County capital improvements, facilities, and equipment with a cost in excess of $100,000.

The issuance of debt for capital needs provides an investment in our community and makes these capital expenditures affordable to current users and allows capital cost to be more equitably distributed to both current and future users.

CAPITAL PLANNING

A five-year Capital Improvement Plan is developed and updated annually, including anticipated funding sources. During the annual budgeting process, the current years' proposed capital improvement projects are reviewed and prioritized to ensure consistency with the County's goals and objectives.

CAPITAL FINANCING

Capital Financing typically includes two types of funding, pay-as-you-go and debt financing.

1. Pay-as-you-go financing is an integral part of the overall capital financing plan. Pay-as-you-go financing is defined as all sources of funding other than debt issuance, i.e. fund balance, contributions, investment earnings and grants.
   Pay-as-you-go funding, to the extent available, will be used for:
   - Projects that do not constitute assets of the County;
   - Smaller projects;
   - Projects that have a shorter useful life;
   - Other non-school projects.

2. Funding for the County's portion of the CIP Budget is generally obtained through a short term borrowing program or the issuance of long term general obligation debt. A short term borrowing program may be established each fiscal year to cover the estimated amount of current year payments for projects authorized in that year as well as the payments expected from projects appropriated in previous fiscal years and continuing into the current year. When short term borrowing is used, it is converted to long term general obligation debt within two years after the initial sale.

DEBT LIMIT

The County conducts its finances so that the amount of general obligation debt does not exceed 12% of the County's taxable assessed valuation. Debt may generally be issued without regard to any limit on indebtedness. Decisions regarding the use of debt will be based in part on the long-term needs of the County versus the amount of funds dedicated in a given year to capital outlay on a "Pay-As-You-Go" basis. The County also includes "Pay-As-You-Go" funding in the Operating Budget for smaller asset acquisitions and improvements each year rather than in the