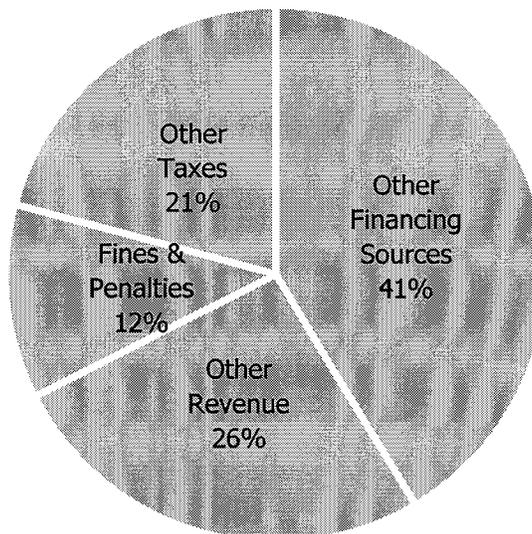


**PURPOSE**

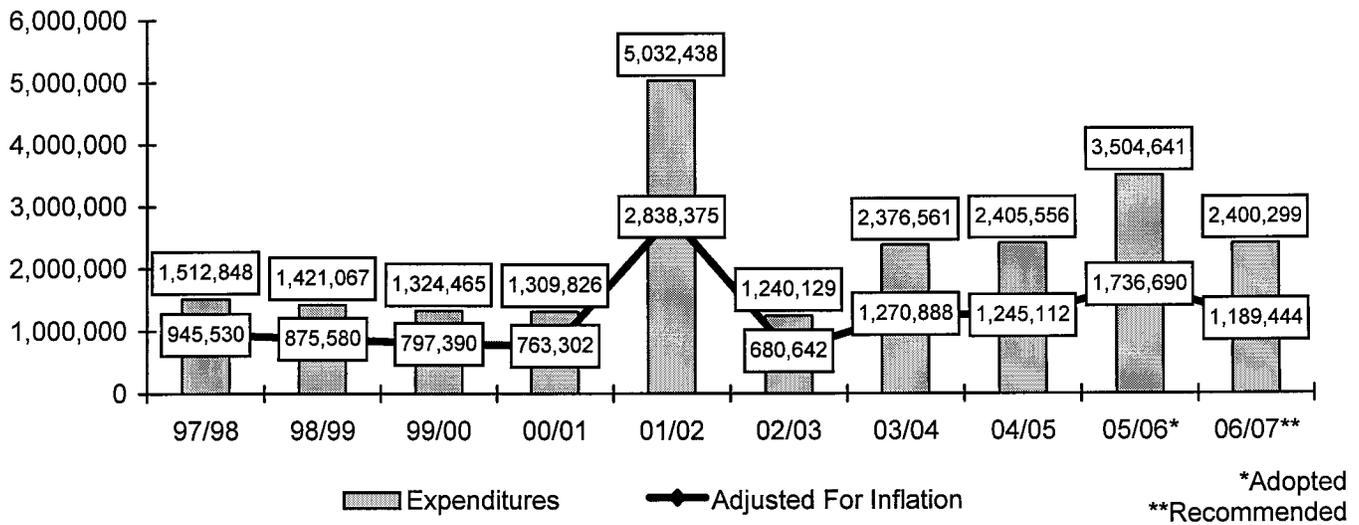
To provide for the payment of interest and principal associated with the County's long term debt based upon Board of Supervisor budget policies. Recommendations for debt financing of major projects will include a cost benefit analysis of available options and funding alternatives. Every attempt will be made to provide for debt service through dedicated revenues that can be maintained over the life of any debt, before the General Fund is accessed for such a purpose.

	2004-05	2005-06	2006-07	2006-07	2006-07
<u>Financial Summary</u>	<u>Actual</u>	<u>Actual</u>	<u>Requested</u>	<u>Recommended</u>	<u>Adopted</u>
Revenues	\$ 2,405,555	\$ 3,502,407	\$ 2,400,299	\$ 2,400,299	\$ 2,400,299
Fund Balance Available	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cancelled Reserves	0	0	0	0	0
<b>Total Financing Sources</b>	<b>\$ 2,405,555</b>	<b>\$ 3,502,407</b>	<b>\$ 2,400,299</b>	<b>\$ 2,400,299</b>	<b>\$ 2,400,299</b>
Salary and Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Services and Supplies	0	0	0	0	0
Other Charges	2,405,556	3,412,407	2,400,299	2,400,299	2,400,299
Fixed Assets	0	0	0	0	0
<b>Gross Expenditures</b>	<b>\$ 2,405,556</b>	<b>\$ 3,412,407</b>	<b>\$ 2,400,299</b>	<b>\$ 2,400,299</b>	<b>\$ 2,400,299</b>
Contingencies	0	0	0	0	0
New Reserves	0	0	0	0	0
<b>Total Financing Requirements</b>	<b>\$ 2,405,556</b>	<b>\$ 3,412,407</b>	<b>\$ 2,400,299</b>	<b>\$ 2,400,299</b>	<b>\$ 2,400,299</b>

**Source of Funds**



**10 Year Expenditures Adjusted For Inflation**



**COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS**

Debt financing for capital improvement projects is recommended based upon adherence to Board budget policies and review by the County's Debt Advisory Committee. In Fiscal Year 1991-92, the Board of Supervisors established a formal Debt Advisory, and an "AAA" rating from Fitch. These are the highest rating achievable for a government agency.

This cost center includes debt service payments for 1) a Certificate of Participation (COP) issued in 1994 to pay for the Social Services building and men's jail facilities as well as improvements to the Morro Bay golf course irrigation system and 2) a Certificate of Participation in 2002 for the new County Government Center. Debt service payments for the two COPs are approximately \$2.4 million. These payments represent less than 1% of the County General Fund operational expenses.

Revenue sources for this debt service includes Criminal Justice Construction funds, state and federal reimbursement funds for the Social Services building, golf course revenues, Public Facility Fees and General Fund transfers.

One additional note: An additional \$1.1 million of available fund balance was allocated to the debt service fund at the close of fiscal year 2004-05. These funds were used to pay down the debt service associated with the men's jail. The result will be that the jail debt will be paid off early, possibly by the end of next year. This will free up the Criminal Justice Construction funds for other projects, such as a new women's jail that is currently being designed.

**BOARD ADOPTED CHANGES**

None.