

Debt Service Budget Summary

Debt Policy

The Board of County Commissioners debt policy is defined by general County ordinance Section 2-241:

“The board is hereby authorized and empowered, in order to carry out the purpose of this article, to borrow money and issue certificates of indebtedness therefor upon such terms and at such rates of interest as the board may deem advisable and in accordance with the provision of article VII section 12 of the Florida Constitution of 1968 and Florida Statutes, chapter 125 and other special and general laws and said certificates of indebtedness may be a charge upon all revenues derived from taxes in that year or may be made payable from budgetary requirements in due course of law, as the board may elect.”

Debt Capacity

The ability of the County to issue debt is a function of: (1) the revenues legally available to pledge as security for the debt; (2) limitations on the collection of that revenue which the bondholder will take into account in determining the principal amount of bonds which could be repaid; and, (3) the market interest rates in effect at the time the debt is issued, together with the length of time for repayment. The debt capacity of the County's non ad valorem revenue base is strong but restricted in practice because the revenues are also used for funding operations.

Annual debt service on Monroe County's direct debt shall not exceed the following annual median ratios for medium size counties published by Moody's Investment Services: debt to operating revenue, debt to assessed valuation, and debt per capita.

Ad Valorem Debt Capacity

Monroe County does not currently use ad valorem debt financing. The Florida Constitution does not limit the amount of ad valorem taxes a county may levy for the payment of bonds authorized by voters' referendum. The County is limited by Article VII, Section 9 of the Florida Constitution to a maximum levy of 10 mills per \$1.00 of the assessed value of real estate and tangible personal property for purposes other than the repayment of voted bonds. The County's countywide millage is below the statutory limit.

There are several different types of debt incurred by cities and counties in Florida, including general obligation debt, revenue debt and other debt including long-term leases and government loans. Following are descriptions of Monroe County's outstanding debt issues:

Guaranteed Entitlement Refunding Notes, 2002 - Revenue Bonds issued in 1988 and re-financed in 1993 and 2002 to finance the building of the Marathon and Plantation Key jails and the Marathon Regional Service Center. These notes are being repaid from state shared revenues.

MSD Refunding Notes, 2002 - Revenue Bonds issued in 1980 and refinanced in 1985, 1991, and 2002 for purchase of solid waste incinerators and finance Cudjoe Key, Long Key and Key Largo landfill closures. These notes are being repaid from solid waste assessment fees.

2003 Revenue Bonds- Revenue bonds issued in 2003 to finance construction of the Marathon Courtroom, Plantation Key Courtroom, Upper Keys Government Center, Big Pine Fire/ EMS, Conch Key Fire/ EMS, Key Largo North Fire, Ocean Reef Fire/ Ambulance Replacement, Tavernier Fire, & Medical Examiner Facility capital projects. These bonds are being repaid from the One Cent Infrastructure Surtax.

2006 Series Key West Airport Variable Rate Revenue Bonds – Variable Rate demand obligations issued during 2006 to finance the construction of the new Key West International Airport Terminal project (Mc Coy Terminal Complex), are protected from interest rate risk by a rate cap of 5.5% during

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the construction period. These bonds are being repaid from Passenger Facilities Charges (PFC's) that are charged by the airlines and remitted to the airport. In addition a major portion of the debt is being repaid out of Federal and State Grants.

Refinancing of Debt

Management continually monitors the County's debt portfolio for opportunities to refinance or refund outstanding debt, as market conditions and debt covenants allow, maximizing financing cost savings. In 1993, Monroe County re-financed original revenue bond debt issued in 1983 and 1988. In 1998, Monroe County refinanced the Sales Tax Revenue Bonds – 1991, and in 2002, Monroe County refinanced the Refunding Bonds- 1993 (88), and the Solid Waste Revenue Bonds-1991 (88).

Bond Ratings

Moody's Investors Service grades the investment quality of municipal bonds from the highest quality which is "Aaa" to the lowest credit rating, which is "C". Standard & Poor's rating service grades from "AAA" the highest; to "D" which is the lowest. Monroe County bonds have historically been rated "Aaa" and "AAA" from Moody's Investor Service and Standard & Poor's Corporation, respectively.

Debt Service Summary by Type

	Amount Issued	9/30/2006 Gross Debt Outstanding	9/30/2006 Less Debt Reserves	9/30/2006 Net Debt Outstanding	Date of Maturity	Effective Interest Rate
General Obligation Bonds:						
	\$ -	\$ -	\$ -	\$ -	N/A	
Non Ad-Valorem Supported Debt:						
Guaranteed Entitlement Refunding Notes, 2002	7,230,000	1,826,487	300,000	1,526,487	10/1/2008	2.96%
Infrastructure Sales Surtax Rev, 2003	28,006,441	18,035,000	-	18,035,000	4/1/2018	3.57%
Self-Supporting Debt:						
MSD Refunding Notes, 2002	4,863,857	3,272,099	415,636	2,856,463	10/1/2011	3.60%
Airport Variable Rate Rev Bonds, 2006	30,455,000	30,455,000	7,570,734	22,884,266	10/1/2035	5.5% or less
Total	\$ 70,555,297	\$ 53,588,586	\$ 8,286,370	\$ 45,302,216		

Debt Service Schedule

Bond Year	Guaranteed Entitlement Refunding Notes, 2002			MSD Refunding Notes, 2002		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$626,677	\$18,550	\$645,227	\$484,252	\$69,508	\$553,760
2009				\$500,765	\$52,995	\$553,760
2010				\$517,841	\$35,919	\$553,760
2011				\$535,499	\$18,261	\$553,760
2012						
2013						
2014						
2015						
2016						
2017						
2018						
Total	\$626,677	\$18,550	\$645,227	\$2,038,357	\$176,682	\$2,215,039

Debt Service Schedule

Bond Year	Bond Year	Infrastructure Sales Surtax Series 2003			Key West Airport Series 2006* Variable Rate Demand Obligations			Total Debt Service		
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	2008	1,240,000	581,830	1,821,830	735,000	1,674,970	2,409,970	\$3,085,929	\$2,344,858	\$5,430,786
2009	2009	1,285,000	552,070	1,837,070	475,000	1,634,545	2,109,545	\$2,260,765	\$2,239,610	\$4,500,375
2010	2010	1,335,000	516,733	1,851,733	460,000	1,608,420	2,068,420	\$2,312,841	\$2,161,071	\$4,473,912
2011	2011	1,385,000	476,683	1,861,683	450,000	1,583,120	2,033,120	\$2,370,499	\$2,078,063	\$4,448,562
2012	2012	1,445,000	431,670	1,876,670	410,000	1,522,370	1,932,370	\$1,855,000	\$1,954,040	\$3,809,040
2013	2013	1,505,000	382,540	1,887,540	450,000	1,535,820	1,985,820	\$1,955,000	\$1,918,360	\$3,873,360
2014	2014	1,575,000	329,865	1,904,865	450,000	1,511,070	1,961,070	\$2,025,000	\$1,840,935	\$3,865,935
2015	2015	1,645,000	273,165	1,918,165	450,000	1,486,320	1,936,320	\$2,095,000	\$1,759,485	\$3,854,485
2016	2016	1,720,000	212,300	1,932,300	485,000	1,461,570	1,946,570	\$2,205,000	\$1,673,870	\$3,878,870
2017	2017	1,805,000	147,800	1,952,800	500,000	1,434,895	1,934,895	\$2,305,000	\$1,582,695	\$3,887,695
2018	2018	1,890,000	75,600	1,965,600	560,000	1,407,395	1,967,395	\$2,450,000	\$1,482,995	\$3,932,995
Total	Total	\$16,830,000	\$3,980,255	\$20,810,255	\$5,425,000	\$16,860,495	\$22,285,495	\$24,920,034	\$21,035,982	\$45,956,016

* The debt service schedule for the series 2006 Airport is only indicative of the minimum amounts of debt service that will be required for the repayment of the bonds. A much more dramatic advance repayment schedule is anticipated without penalties, as is common with variable rate debt.