

11/20/2012

Roane County's Debt - we are slowing solving a problem

This article is intended to make our citizens aware of your debt obligations as it relates to Roane County's outstanding debt and to let you also know we now have a structured program to manage our current debt and any new future debt obligations.

As we began the administration of Roane County Government we focused on establishing Debt Management and Capital Project policies. We felt that for Roane County to move forward in stability, viability, and financial management we must control our debt and with controlling debt we would have to develop not only a debt management program but also a capital asset replacement program.

We are pleased to report that both a Debt Management policy and a partial Capital Project policy have been adopted. The Capital policy does not include the Highway Department or Schools. Your commission adopted on March 11, 2011 resolution #03-11-22, a capital asset replacement plan, and resolution #03-11-23, establishing a plan to manage our debt. We are pleased that both policies have guided your county during the last three budget years.

Roane County's debt is a major expense your tax dollars are assigned to pay. The more property tax assigned to pay our principal and interest the less property tax is available for other capital improvements, operational costs, and/or reduction of taxes. Roane County pays \$5.3 million each year on our interest and principal payments. One of our neighboring counties has no debt and as I talked with the County Mayor recently their county was in the process of discussing building a new jail, with cash and no debt. If Roane County had no debt it would have taken us only two years to have saved enough cash to have built our jail. A new high school would take three to five years if we saved the money we currently spend on debt payments.

Our debt policy addresses that only major or medium assets are available for debt issues' considerations. Those assets are large costs by nature and have a long life expectancy; an example would be building of new schools. With the adoption and implementation of the debt and capital policies, we have stopped the purchase of sheriff's vehicles, computers, and furniture by issue debt. We have also prohibited back loading debt, a practice that deferred principal payments to future years and only pays interest for the first five to 15 years, a practice considered a number of years ago.

Accomplished by your commission was establishing a plan and system of when and for what debt will be issued. We have stopped issues' debt for a number of assets that we now purchase with cash. It took a comprehensive plan and a little pain but we have started a process that has experienced unanimous support. Certain assets

that Roane County have now purchased through our capital plan without issuing debt as in the past have been: Renovation of the old jail for a new juvenile center, Health Department roof replacement, reconstruction of the courthouse HVAC and electrical and plumbing upgrade, building additional parking lots around the new jail and our courthouse, along with a number of other projects. These projects can be found on our website under a number of our Executive Summaries particularly our Capital Outlay Plan Implementations.

We are not saying that Roane County will not issue future debt, only that we have a structured plan of what is eligible and how the debt will be repaid. Roane County is not in a position for purchasing large assets without borrowing but maybe one of these days if we stay on our plan we could be debt free, but I'm afraid it will not be in the near future.

Three debt issues have been approved in the past three years: Public Utility Board debt for wastewater (Sewer) expansion in Midtown and near Rockwood. This debt is not taxpayer indebtedness but will be repaid by the wastewater users. The second issue was an energy efficiency loan for the Roane County School System to be paid from education funds. The third debt issue was a temporary borrowing for the Volkswagen Plant until the state forwards to us our approved grant proceeds.

Current outstanding debt obligations were addressed with the establishment of multi-year debt budgets and requirement of filing an annual debt report. These debt budgets and annual reports are available on our website www.roanegov.org under Executive Summaries and/or Publications. Your budget committee and commission have reviewed a 20 plus year debt budget plan. Yes, it will take until 2033 to pay off all of our current obligations. Some of these obligations include not only large capital assets such as the new county jail, Plateau Industrial Park in Cumberland County, the Roane County Business and Technology Park, along with county schools and also Harriman City School debt, but also small assets that are no longer eligible under our new debt management policy.

Much data regarding the county's debt is available on our website but here is a snapshot of what Roane Countians' owe, excluding utility debt: In 2010, outstanding debt equaled \$58.4 million with net debt (total debt minus funds set aside for future debt payments) being \$47.0 million. Our estimated 2013 outstanding debt is \$46.8 million with net debt being \$41.4 million.

We are making progress in paying off existing debt but more important have limited borrowing by paying for replacement assets with a systematic replacement schedule plan in our capital project program.

Your county commission's debt and capital policies have improved your county's financial position and future operations. We cannot accomplish our goals and objectives overnight but the foundation has been laid. Thank you commissioners for your support.