

Three (3) Debt Fund

In a previous articles we discussed how the county's accounting structure is similar to a large company. Roane County's 108 million dollar budget is made up of twenty (24) smaller companies (funds). Monies do not get comingled among the companies (funds) outside of limited amounts of authorized transfers or indirect cost.

This article will discuss three (3) Debt Service Funds. First, the county has adopted policies that guide the county in decisions regarding the issuance of debt. I have written on various occasions about our debt policies and how it has allowed the county to: (1) Reduce our debt from over \$50 million in 2010 to under \$30 million in 2019, (2) Restrict the issuance of debt to large capital items such as school and jail projects and (3) Prohibits issuance of balloon debt which now is restricted by state law. I mention all this to state the county debt is being managed, and budgeted by legislative policy.

One of the three (3) Debt Service Funds is the Education Debt Service Fund, which is school debt issued when or after the Harriman City Schools were consolidated into the county system. A property tax of two (2) cents is levied on all property outside the City of Oak Ridge. This debt is completely paid off in the upcoming 2020 Budget.

Second of the Debt Service Funds is the Rural Debt Service Fund, which is school debt issued when Harriman and Oak Ridge both had city school systems. All property outside the city limits of Harriman and Oak Ridge pays this tax of 14.5 cents. This debt is completely paid off by in the 2022Budget.

Both the Education Debt Service and Rural Debt service property tax will go away in 2020 and 2022 respectively.

The third and final of the Debt Service Funds is the General Debt Service Fund, which is debt that includes education debt and debt for other capital assets such as the Roane Regional Business Technology Park, the Plateau Park Partnership, Roane County Jail, Roane County Sewer Plant, and the recent Road Disaster Project. This is a county wide tax of all property in the county. This current tax is 14.5 cents.

Upon the final payments of the Education and Rural Debt Service bonds. These funds will cease in operations and Roane County will close two (2) of our twenty four (24) funds/companies.

The focus going forward will be debt issued and to be paid from the General Debt Service Fund. The 2020 Budget is being proposed to have a county wide tax increase of ten (10) cents. The increase will allow the county to be within the county's debt and fund balance policies. The reason for the proposed increase is three-fold: (1) Recent Issuances of \$7.1 million for bonds for school debt for Oliver Springs and Midways approximate three (3) cents, (2) Road Disaster loan of \$10 million (two (2) cents) additional revenue needed to pay the debt interest, with the principal to be paid by FEMA, and (3) Additional five (5) cents in anticipation of an education and jail project in the near future.

One may ask the question will this ten (10) cent increase be enough for education and jail projects? The answer is no; however, we are seeing the two other debt funds and related taxes going away by 2022.

The Education and Rural Debt Debt tax would anticipate being re-purposed into the General Debt Service Fund and further current debt in the General Debt Service is also paying off. All the payed off debt will not be enough to make payments on new debt but we will go a long way in relieving the tax burdens. We are preparing the General Debt Service for the future anticipated needs.