



Annual Debt Report

Fiscal Year Ending September 30, 2024

Prepared by Greg James, Wakulla County Clerk of Court & Comptroller

As your Clerk of Court, it is my constitutional duty to keep you informed of Wakulla County's (the County) debt and to provide an independent check and balance on County finances to ensure your tax dollars are safe and being used in a sound financial manner.

As with most governmental entities, and like most households, debt is a necessary component of the budget. Like households who borrow money to finance larger purchases such as vehicles and homes, the County borrows money from time to time to finance capital equipment and large infrastructure projects so that the County may continue to provide the necessary services its citizens expect while still maintaining proper fund balances.

Our office is charged with a variety of tasks related to the debt of the County. We assist the County Administrator, David Edwards, with analyzing funding options and with debt structuring both during the budget process and after. We ensure timely payment of debt service obligations, pre-audit and maintain supporting documentation of all debt service payments, accurately account for all debt transactions in the general ledger for financial reporting purposes and ensure compliance with debt covenants and related third party reporting requirements.

The amount of debt owed by the County is not the only factor in determining the health of County finances. The Clerk's office prepared, and the BOCC approved, its first stand-alone fund balance policy in 2012. The County continues to work toward and maintain appropriate levels of fund balance and cash reserves in all operating funds. Part of our fund balance monitoring function is to ensure the County can meet its debt service requirements.

For many years, the County's debt was managed in accordance with policies established as part of a broader financial policy package approved by the Board of County Commissioners (BOCC) in May of 2008 and as amended from time to time. The Clerk's office was instrumental in developing the County's first stand-alone debt policy as approved by the BOCC on January 20, 2015.

The County's debt policy calls for an annual debt report to be provided to the BOCC and the citizens of Wakulla County. This report is written in such a manner that non-financial readers may have a better understanding of the County's debt and how it impacts the overall health of the County's finances. The report that follows is for the fiscal year ended September 30, 2024.

I am honored to serve as your Clerk of Court. I remain dedicated to promoting transparency and accountability in reporting the financial activities of our County in spending your taxpayer dollars. If you have any questions concerning the contents of this or any other report from our office, please contact me or my staff.

In your service,

Greg James
Wakulla County Clerk of Court & Comptroller



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DEBT OVERVIEW

As of September 30, 2024

This unaudited report and the numbers contained herein represent only the capital infrastructure related debt of Wakulla County. It does not include any debt incurred by the Constitutional Officers (generally operating leases) and does not include other types of long-term debt such as compensated absences, pension obligations, other post-employment benefits or landfill post-closure liabilities. As such, this report is not intended to and will not match the audited Annual Financial Report for the same period.

Total Outstanding Debt & Debt Service Payments

Wakulla County's outstanding debt totaled \$21,859,164 as of September 30, 2024, as compared to \$36,321,561 in the prior fiscal year. During FY23/24, the County paid \$19,968,011 in principal and interest on outstanding debt as compared to \$3,917,173 in the prior fiscal year. The outstanding debt of the County decreased \$14,462,397 over the prior fiscal year.

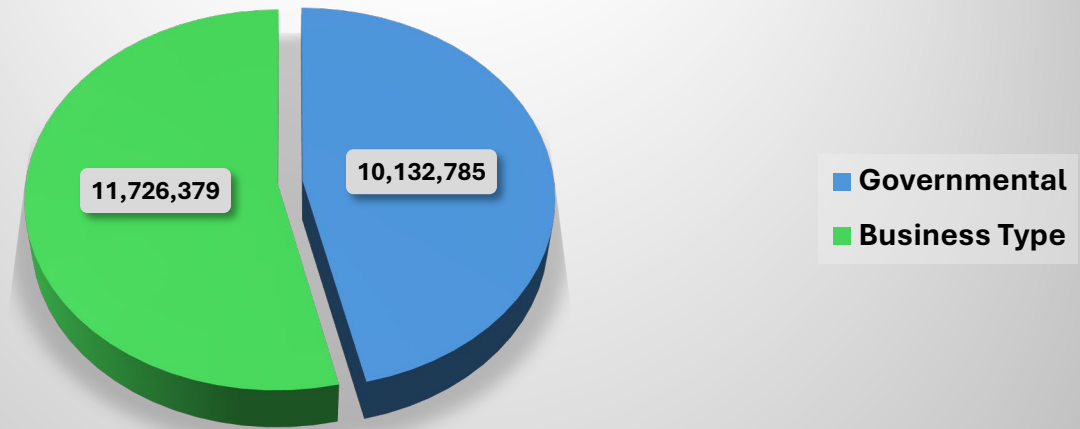
The County paid \$18,742,839 in principal reduction in FY23/24 as compared to \$3,031,410 in the prior year. The principal payments of \$18,742,839 in FY 23/24 represent 51.60% of the balance due at the beginning of the year as compared to \$3,031,410 (32.41%) in the prior year. The County paid \$1,225,172 in interest expense in FY23/24 as compared to \$885,763 in the prior year. The interest expense of \$1,225,172 represents 5.60% of the balance due at the end of the fiscal year as compared to \$885,763 (2.29%) in the prior year. The significant reduction in principal balance in FY23/24 will be explained in the "Total Outstanding Debt by Lender" section of this report.

Total Outstanding Debt by Activity

Governmental accounting makes distinctions between activities that the County is responsible for that are not intended to function like a business, that is, make a profit or break even. These activities are called "governmental activities" and are accounted for in the General Fund, Special Revenue Funds, and Capital Project Funds. Activities that are more narrowly defined and are intended to function like a business, make a profit or break even, are called "business-type activities." The County has two business activities, 1) sewer, and 2) solid waste, and as such, they are accounted for in the Sewer Fund and Solid Waste Fund.

The total outstanding Governmental Activities debt in FY23/24 was \$10,132,785 (46.35%) of total debt as compared to \$17,071,239 (47%) of total debt in the prior year, which is a decrease of \$6,938,454. The total outstanding Business-type debt in FY23/24 is \$11,726,379 (53.65%) as compared to \$19,250,322 (52.99%) of total debt in the prior year, which is a decrease of \$7,523,943. See the chart on the following page.

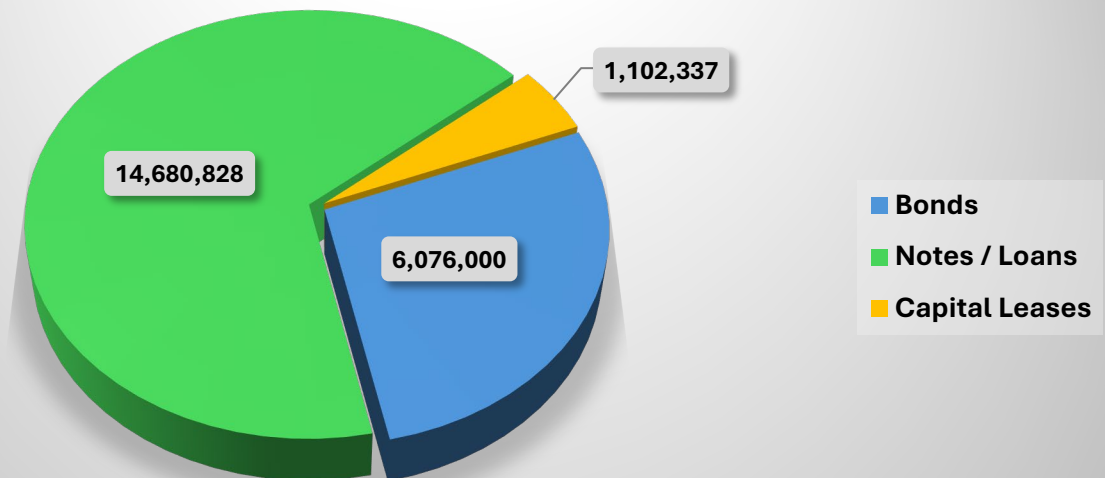
Outstanding Debt by Activity



Total Outstanding Debt by Instrument

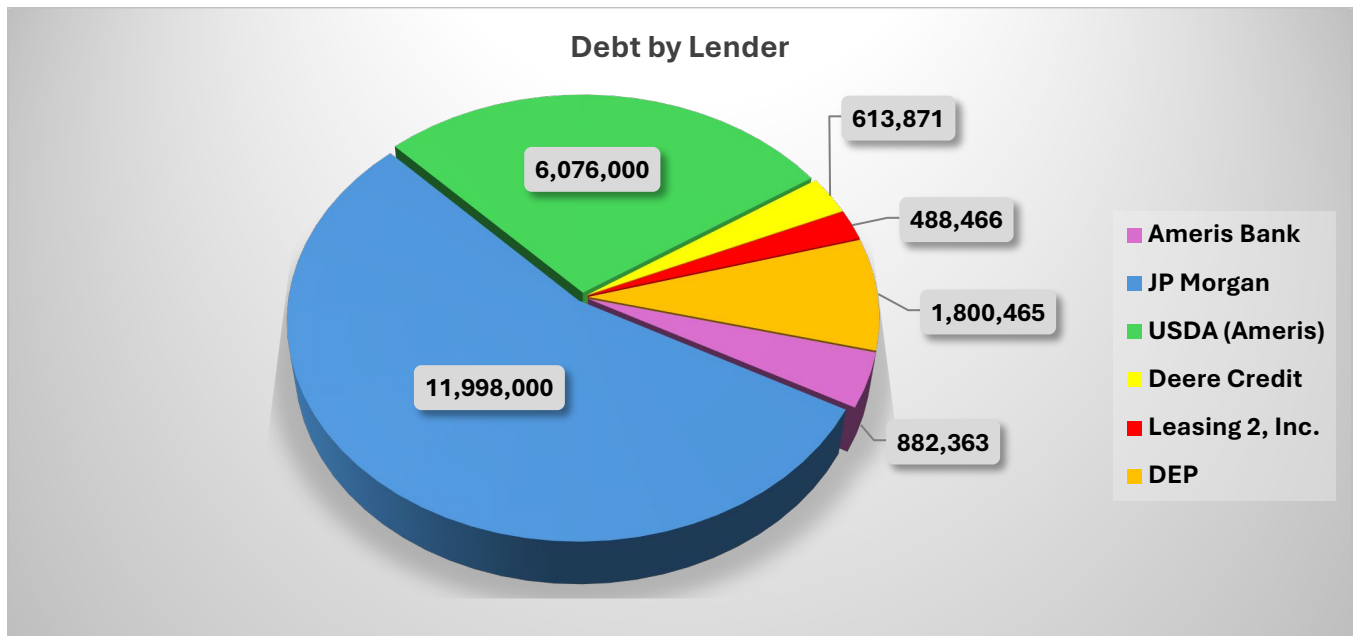
The graph below shows the types of debt the County had outstanding on September 30, 2024. The County's total debt balance of \$21,859,164 is comprised of two (2) revenue bonds in the amount of \$6,076,000, or 27.80% of the total debt, four (4) notes/loans in the amount of \$14,680,828, or 67.16% and two (2) capital lease/purchase agreements in the amount of \$1,102,337, or 5.04%.

Debt by Instrument Type



Total Outstanding Debt by Lender

As outlined in the County's debt policy, the County selects the lender to borrow from, based on several criteria, but the primary factor is the cost of the borrowing (interest rate). The chart below summarizes the lenders currently owed, and the balances owed on September 30, 2024.



In April 2023, the County acquired a \$30,000,000 line of credit (LOC) with **JP Morgan Bank** to cash flow numerous grant funded construction projects for wastewater expansion, road projects and various other infrastructure projects. The LOC is to be repaid over four (4) years with a final payment in FY26/27 with grant funds received over the period. The LOC has a variable interest rate that has averaged 4.24%. Interest is paid monthly and as grant funds come in, the principal is paid down. Additionally, the County has been able to realize increased investment income from interest earned on the LOC funds that were not immediately needed for obligations of the County. This investment income of \$853,815 has offset a portion of the interest expense and fees of \$1,590,406. Total principal paid through FY23/24 was \$18,002,000 and interest paid was \$1,239,616. The principal balance at year end was \$11,998,000. The total net interest and fees when investment income is factored was \$736,591 through FY23/24.

There are two (2) loans with **Ameris Bank**. The first loan is for the Class III Landfill Closure Project. In November 2014, the Board approved a project to close (cap) the Lower Bridge Class III landfill. The project was required by the Florida Department of Environmental Protection (FDEP) since the landfill was at capacity. Staff negotiated a long-term fixed interest rate loan of 3.36% from Ameris Bank. The County borrowed \$925,000 and used approximately \$300,000 in cash to complete the project. The loan is repaid in annual payments with the Solid Waste franchise fee over a fifteen (15) year period and will mature in 2029. The balance outstanding at year end was \$369,855. If the Solid Waste fund has adequate cash, the County intends to pay this loan off prior to the FY29/30 maturity date, possibly in FY24/25.

The second loan is for the EMS/Fire Station on Trice Lane. The project is a \$2,500,000 project funded with \$1,300,000 in loan proceeds, \$500,000 in legislative grant funds, and \$700,000 in One Cent Sales Tax cash. Staff negotiated a long-term fixed interest rate of 2.28% from Ameris Bank. The loan origination was in FY17/18 and is repaid in annual payments with the One Cent Sales Tax over a ten (10) year period and will mature in FY27/28. The balance at year end was \$512,508.

The **Deere Credit, Inc** lease purchase is for three (3) Motor Graders. The County entered into a lease/purchase agreement in FY21/22 for this heavy equipment. The equipment will be paid for in five (5) installment payments at an interest rate of 3.20% with a balloon payment of \$420,630 due in the fifth year (FY26/27). Due to the high cost of maintenance on heavy equipment, especially as the equipment ages, the County often rotates this equipment through these lease purchase/buyback agreements. The balance outstanding at year end was \$613,871.

There are two (2) lease agreements with **Leasing 2, Inc.** The first lease purchase is for a Toyne Fire Engine which is a primary response fire engine to be used for fire suppression and emergency call response. The County entered into a lease/purchase agreement in FY23/24 for this heavy equipment. The equipment is paid for in five (5) annual installments from the Fire MSBU Capital Equipment fund and has an interest rate of 2.78%. The County also has the option to turn the Fire Engine in instead of purchasing it. Due to the high cost of maintenance on heavy equipment, especially as the equipment ages, the County often rotates this equipment through these lease purchase/buyback agreements. The lease/purchase will mature September 30, 2027. The balance due at year end was \$613,871.

The second lease purchase is for seventy (70) self-contained breathing apparatus (SCBA) units for the Fire Department through a capital lease/purchase agreement in FY20/21. The units cost approximately \$480,000. The lease/purchase will be repaid by One Cent Sales Tax Public Safety funds over four (4) years at an interest rate of 3.81%. The lease/purchase matured on October 31, 2023. The balance due at year end was \$0.

There are two (2) revenue bonds outstanding with the **United States Department of Agriculture (USDA)**. The BOCC approved a project to expand the existing Wastewater Treatment Plant (WWTP). The WWTP was almost at capacity and the Florida Department of Environmental Protection (FDEP) required this action by the BOCC to prevent a moratorium on issuing building permits. In FY16/17, staff negotiated a loan/grant agreement with the USDA in which the County borrowed \$6,816,000 from a local/regional bank (Ameris Bank) during construction and USDA repaid the construction bank loan and, in turn, issued tax-exempt bonds in the amount of \$6,495,000 and \$321,000. The second bond was required due to additional cost estimates over the original estimate. The USDA provided a grant in the amount of \$3,066,900 to complete the \$9,882,900 project. The \$6,495,000 bond has a fixed interest rate of 3.25% and the \$321,000 bond has a fixed interest rate of 2.25%. Both bonds will be repaid with sewer revenues over the next 40 years, and both will mature in 2057. At year end, the balance due on the first bond was \$5,791,000 and the balance due on the second bond was \$285,000, for a total due of \$6,076,000.

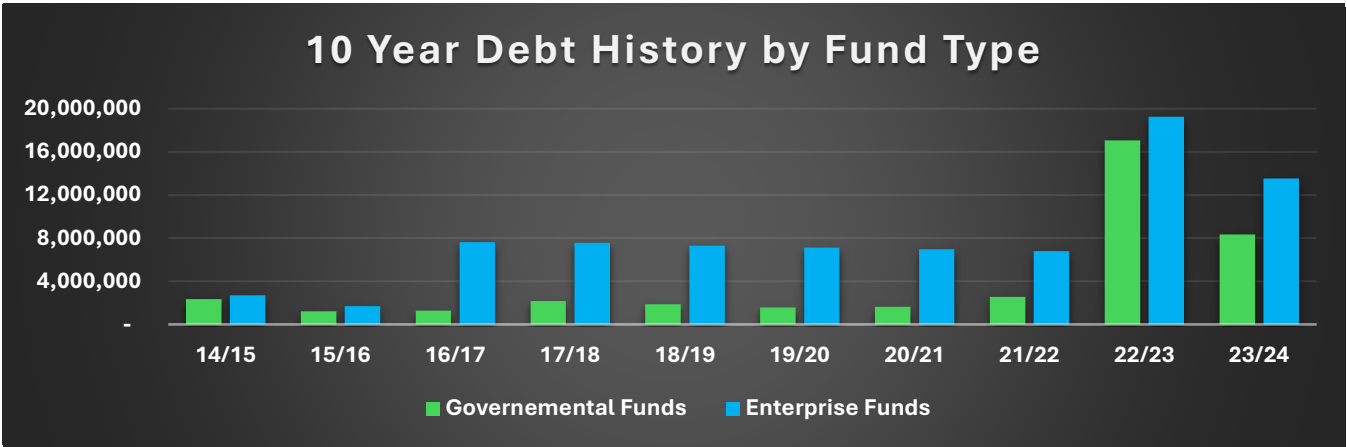
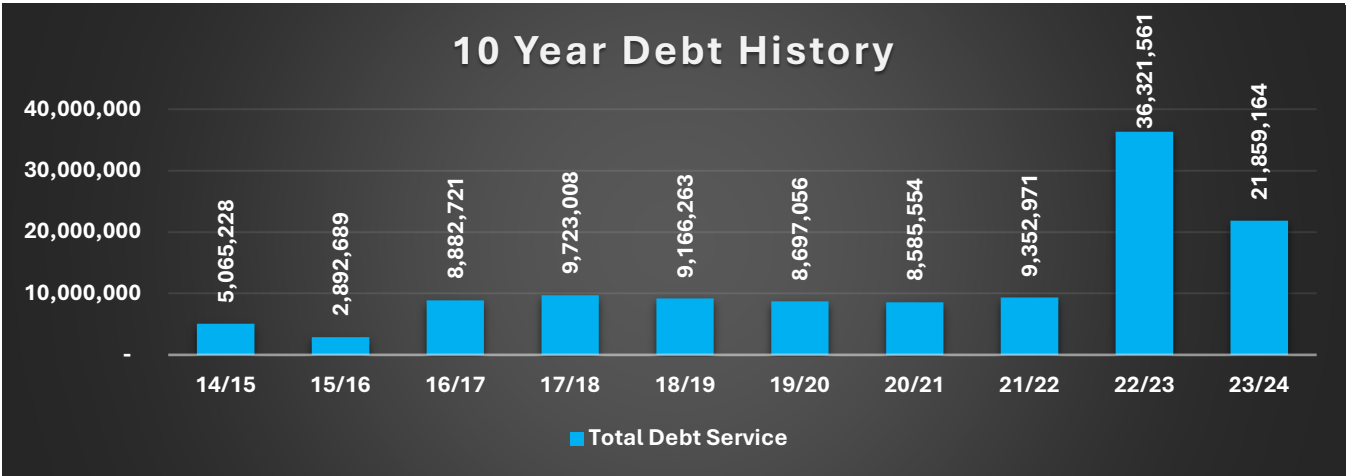
New for FY23/24, there is one (1) loan agreement with **the Florida Department of Environmental Protection (FDEP)** under the Clean Water State Revolving Loan Fund. The BOCC approved this debt for long term planning and design activities for the County's wastewater collection system and WWTP, including force main upgrades, lift station construction, existing lift station improvements, 0.6 MGD additional capacity at the existing WWTP, and an effluent pump station and disposal system. This loan is unusual in that the County had to pay the vendors who performed the work first and then request loan

funding equal to the amount spent as reimbursement from FDEP. Once all the planning and design activities were completed and the County was reimbursed for all expenditures, FDEP converted the balance that was reimbursed to the County to a typical loan structure. The amount borrowed was \$1,895,500 and the loan has a fixed interest rate of 4.55%. This loan will be repaid with sewer revenues over the next ten (10) years. At year end, the balance due was 1,800,465. It should also be noted that there is the possibility for this loan to be forgiven prior to the February 2034 maturity.

DEBT HISTORY

10 Year Historical Total Outstanding Debt

In the ten (10) year period 2015 to 2024, the County’s debt averaged \$12,054,621 and the net change from 2015 to 2024 is an increase of \$16,793,936. In that same period, the first three (3) years averaged about \$5,613,546, while the most recent four (4) years had average debt of \$19,029,813. The lowest recorded debt of the ten (10) year period was \$2,892,689 in fiscal year 15/16 and that was also the lowest recorded debt since the County started tracking its debt in FY03/04. The highest recorded debt of the ten (10) year period was \$36,321,561 in FY22/23, also the highest since the County started tracking. The increase in FY22/23 is due to the first \$30,000,000 draw of the LOC funds in May of 2023 for cash flowing numerous grant funded projects. The following chart illustrates the total outstanding debt trend for the ten (10) year period ending on September 30 of each fiscal year.



In \$Millions

Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Governmental Funds	\$ 2.35	\$ 1.21	\$ 1.27	\$ 2.17	\$ 1.87	\$ 1.57	\$ 1.62	\$ 2.56	\$ 17.07	\$ 8.33
Enterprise Funds	\$ 2.71	\$ 1.69	\$ 7.62	\$ 7.56	\$ 7.30	\$ 7.13	\$ 6.96	\$ 6.79	\$ 19.25	\$ 13.52
Total Debt Service	\$ 5.06	\$ 2.90	\$ 8.89	\$ 9.73	\$ 9.17	\$ 8.70	\$ 8.58	\$ 9.35	\$ 36.32	\$ 21.85

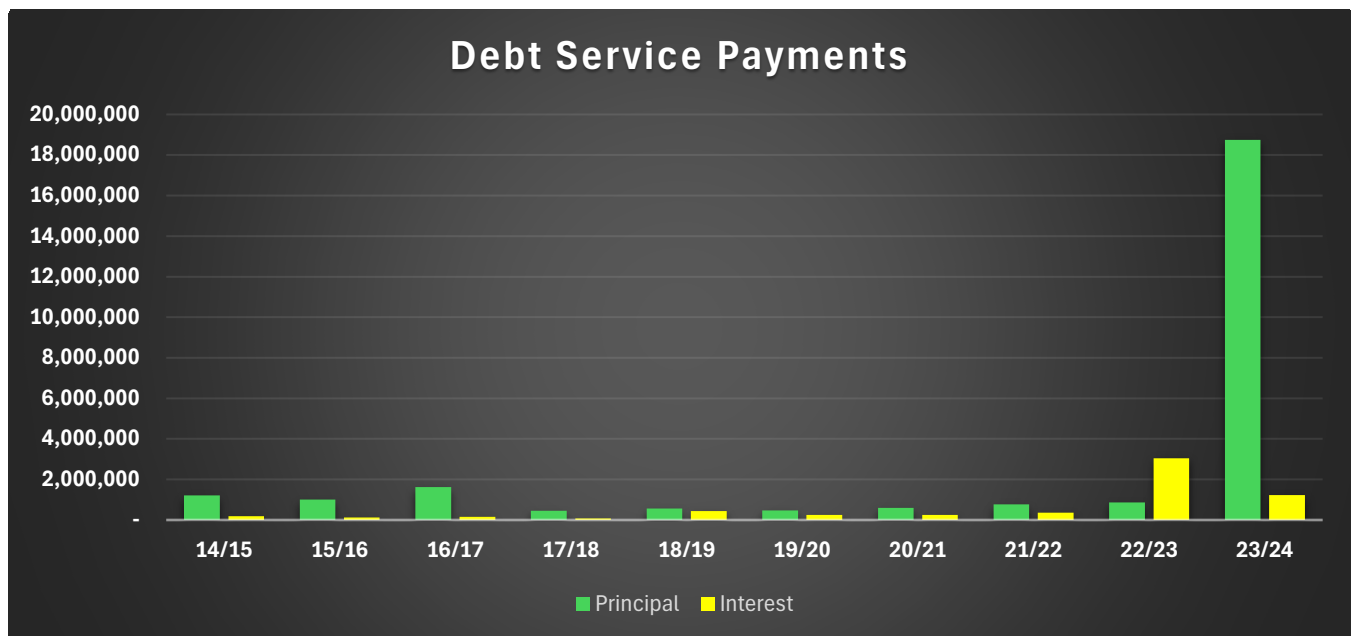
In the five (5) most recent year period 2020 to 2024, the County's debt has increased to an average of \$16,963,261. For comparison, the highest recorded average debt prior to FY23/24 was the preceding five (5) year period 2019 to 2023 at \$14,424,681.

The net change of the County's debt at FY23/24 is an increase of \$16,796,936 or 331.6% over the ten (10) year period since FY14/15. The number of individual debt obligations increased from eight (8) in FY22/23 to nine (9) in FY23/24 while the average maturity of the County's outstanding debt increased from 8.84 years in FY23/24 to 9.78 years in FY23/24.

10 Year Historical Total Debt Service Payments

During the same period, 2015 to 2024, the County's annual debt service payments (principal and interest) have averaged \$3,239,681. Increases or decreases in this average are either good or bad depending on whether the increase or decrease is due to additional principal payments being made or an increase in overall debt. As previously mentioned, there are many other factors that determine if an increase in debt will have a negative impact on the financial condition of the County.

The overall debt services payments have fluctuated over this ten (10) year period with the lowest being \$541,739 in FY17/18 and the highest being \$19,968,011 in FY23/24 as shown in the following charts.



Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Principal	\$ 1,206,022	\$ 1,013,419	\$ 1,617,300	\$ 459,713	\$ 558,796	\$ 469,207	\$ 591,501	\$ 766,500	\$ 871,050	18,742,839
Interest	187,217	122,062	150,819	82,026	435,435	243,702	248,929	358,982	3,046,123	1,225,172
Total Debt Service	\$ 1,393,239	\$ 1,135,481	\$ 1,768,119	\$ 541,739	\$ 994,231	\$ 712,909	\$ 840,431	\$ 1,125,483	\$ 3,917,173	19,968,011

DEBT PLANNING

Debt must be carefully planned to maintain the County's financial health. As with most things, there are pros and cons with debt. The County's debt policy prohibits the use of debt for routine operational expenses with one exception. The County does maintain a \$2 million line of credit with Ameris Bank for emergency response/disaster recovery efforts. This line of credit has never been used by the County.

Expenditures in today's County budget arising from debt service payments (principal and interest) are obligations on present taxpayers that were decided years in the past, and debt incurred today will affect the taxpayers of the future. This is beneficial in the sense that existing users are only paying for the portion of infrastructure they use while they live here. Paying cash for some capital needs "front loads," or puts the full burden on those living here at the time and it places no burden on those who come afterwards but still use the infrastructure. The benefit of paying cash for these capital needs is that it costs less since there are no interest payments or loan fees. The disadvantage of using cash is that it can create uneven cash flow from year to year and detrimentally affect the health of the County's fund balance. So, a sound balanced approach between paying cash and borrowing is needed.

While the resources used to repay the County's debt comes primarily from restricted or dedicated revenues, the County often offers creditors assurances that the debt will be backed by the "full faith and credit" of the County, that is, the County promises to budget and appropriate sufficient revenues or cash to pay the debt, whether or not the restricted or pledged revenues are sufficient to do so.

The County's Debt Policy outlines specific guidelines for administering and managing existing debts and the issuance of new debt. This policy is consistent with the Government Finance Officers Association (GFOA) debt management policy best practices (2022) and with the State of Florida, Auditor General *"Local Governmental Entity Example Financial Condition Assessment Indicators and Related Procedures"* (2022).

The County also approves an "Adopted Infrastructure Plan" (AIP) every five years. The County last updated the plan in November of 2021. As of the writing of this report, the County has begun the process of updating the AIP for adoption sometime in 2026. This plan outlines the major infrastructure needs of the County. Many of these projects will be funded directly by the State or with Federal and State grant funds, existing cash and borrowed funds or a combination thereof. This "AIP" is a "wish-list" in many ways. To provide some context, the total cost of all projects listed in the 2021 AIP totaled \$390,220,380. This is an increase of \$19,970,380, as compared to the 2017 AIP, which totaled \$370,250,000.

Current Debt Retirement Schedule

The County anticipates that two (2) existing capital leases and one (1) existing line of credit in the amount of \$30,000,000 will be paid off during the current "Five Year Plan" (FY24/25 – FY28/29).

This five (5) year plan is an estimate of the future operating and capital needs of the County. The plan is amended from time to time as the County's needs change, and it obviously does not consider the unforeseen or unknown. Circumstances will arise due to disrepair or emergency that may require the County to consider financing a capital expense that was not budgeted for in this plan. This uncertainty highlights the importance of having sufficient reserves budgeted and the resource flexibility to incur new unexpected debt.

If no pre-payments are made and no debt is retired early, the County's existing debt will be retired as follows:

- Leasing 2, Inc Fire Engine - \$488,466 will be paid off by 4/20/2027
- Deere Credit Motor Graders Lease – \$613,871 will be paid off by 8/27/2027
- JP Morgan Bank Line of Credit - \$11,998,000 will be paid off by 9/30/2027
- Ameris Bank Fire/EMS Station Loan – \$512,618 will be paid off by 10/1/2027
- Ameris Bank Landfill Closure Loan – \$369,855 will be paid off by 10/1/2029*
- DEP State Revolving Fund Loan - \$1,800,465 will be paid off by 9/30/2033*
- USDA WWTP Revenue Bond #2 – \$285,000 will be paid off by 8/29/2057*
- USDA WWTP Revenue Bond #1 – \$5,791,000 will be paid off by 9/7/2057*

* It is possible these four loans will either be paid off early or refunded as part of another WWTP expansion in future years beyond the existing five (5) year plan. See anticipated debt below.

Schedule of Future Anticipated Debt

The County's "Five Year Plan" anticipates many of the capital improvements being funded by grants and restricted cash. In no particular order, the County expects to potentially borrow funds for the following projects:

- Governmental Activities:

Line of Credit

There are several infrastructure related projects estimated to cost \$25 million that are expected to be funded by grants. In FY22/23, the County secured a \$15,000,000 line of credit to help with the costs of these and other projects rather than depleting the cash on hand. The radio tower project is the largest governmental activity expenditure over the next five (5) years. The County will expend \$13 million between FY22/23 and FY24/25 on the radio tower project alone. This and other infrastructure expenditures will be paid with grant funding.

Project Safety

The County is currently planning an economic development initiative with Point Blank Enterprises, Inc. to expand its existing manufacturing company from South Florida to Opportunity Park. This endeavor will create 300 local jobs that are above average annual wage for Wakulla County. This project will include Wakulla County purchasing an approximately twenty-acre property and procuring a third-party(s) to design and construct an approximately 118,000 square foot facility. The County has already been awarded \$13,500,000 from Triumph Gulf Coast and another \$4,504,369 of grant funding has been secured from the Florida Department of Commerce. Additionally, the County is in the process of preparing a Florida Job Growth Grant Fund Agreement with Florida Commerce that will contribute another \$3,500,000 for Project Safety. The County will seek loan funding of approximately \$7 to \$8 million to complete the construction, possibly with the Florida Local Government Finance Commission (FLGFC), the same agency who provided the existing Line of Credit.

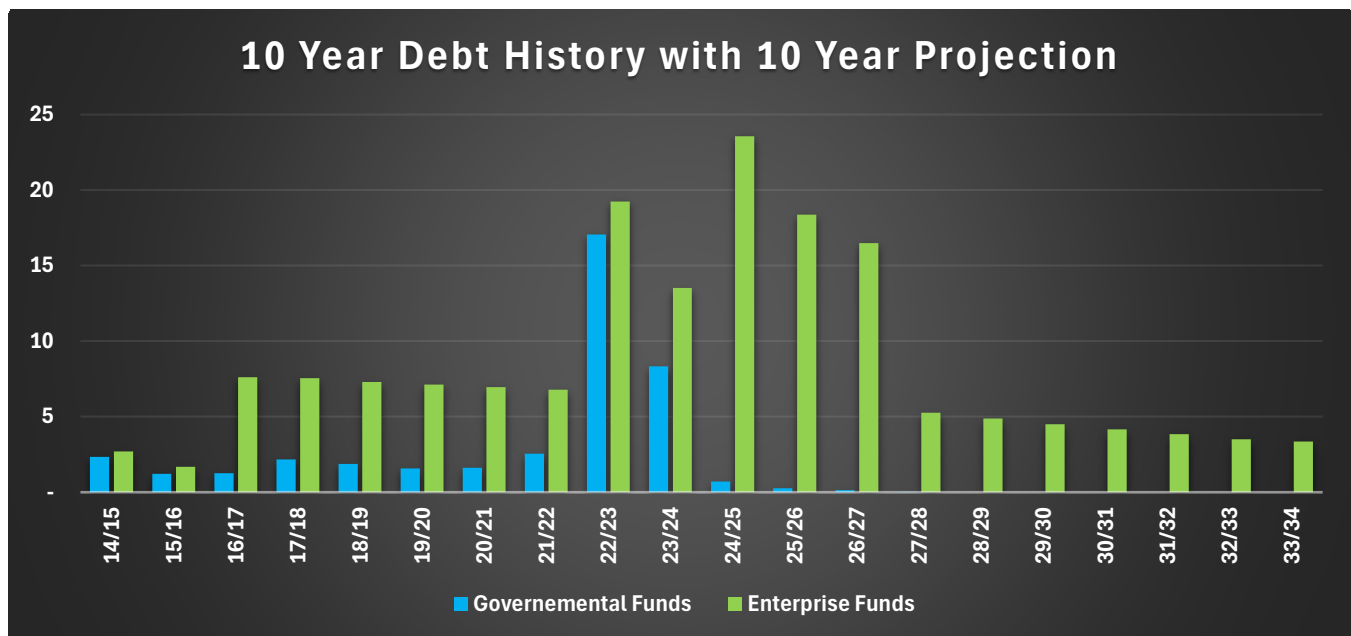
- Business-type Activities:

Line of Credit

There are several sewer projects estimated to cost \$42 million that are expected to be funded by grants. In FY22/23, the County secured a \$15,000,000 line of credit to help with the costs of these projects rather than depleting cash on hand. The sewer projects will be the largest business-type activity expenditure over the next five (5) years. The County will expend \$30 million in FY24/25, \$20 million in FY25/26, and \$10 million in FY26/27. These expenditures will be paid with grant funding and restricted funds.

Combining Chart of 10 Year Debt History and 10 Year Debt Projection

The chart and graph below illustrate the County's ten (10) year, 2015-2024, debt history and the County's anticipated refunding and borrowing schedule for the next ten (10) years, 2025-2034. As shown in the graph, the bulk of the outstanding debt is expected to be related to the County's two (2) business type activities funds, Sewer and Solid Waste (the green bars).



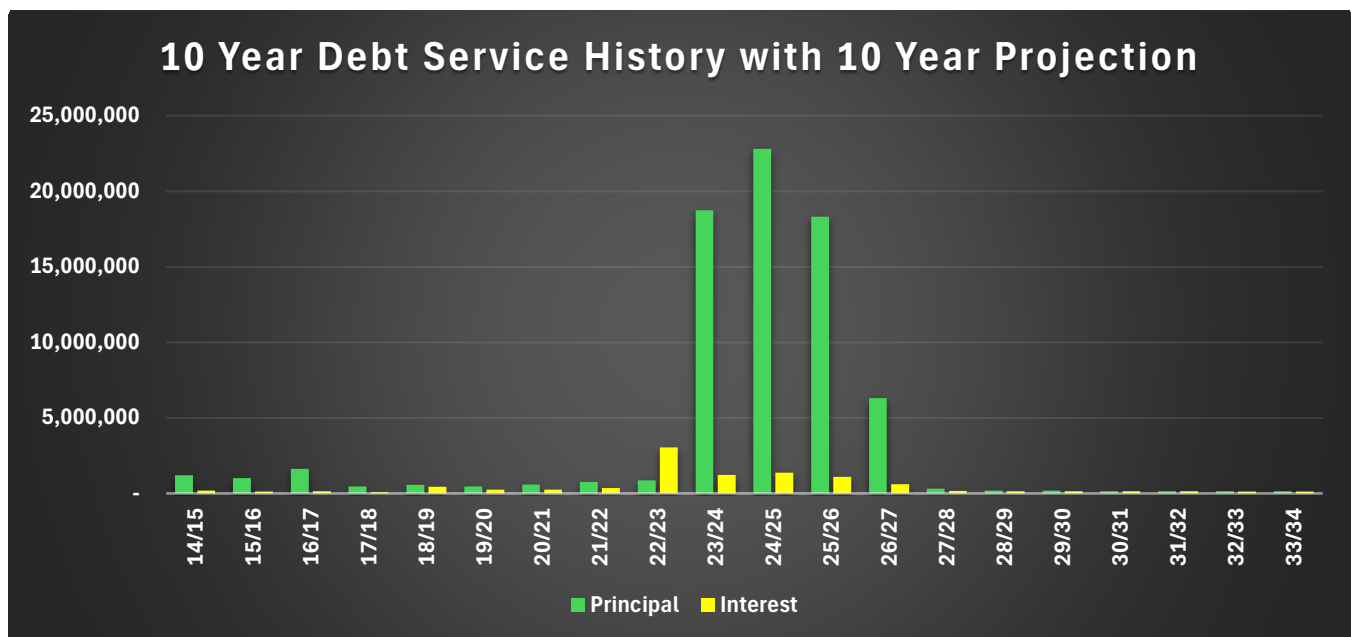
In \$Millions

Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Governmental Funds	\$ 2.35	\$ 1.21	\$ 1.27	\$ 2.17	\$ 1.87	\$ 1.57	\$ 1.62	\$ 2.56	\$ 17.07	\$ 8.33
Enterprise Funds	\$ 2.71	\$ 1.69	\$ 7.62	\$ 7.56	\$ 7.30	\$ 7.13	\$ 6.96	\$ 6.79	\$ 19.25	\$ 13.52
Total Debt	\$ 5.06	\$ 2.90	\$ 8.89	\$ 9.73	\$ 9.17	\$ 8.70	\$ 8.58	\$ 9.35	\$ 36.32	\$ 21.85
Year	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Governmental Funds	\$ 0.70	\$ 0.26	\$ 0.13	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Enterprise Funds	\$ 23.56	\$ 18.37	\$ 16.50	\$ 5.26	\$ 4.88	\$ 4.50	\$ 4.17	\$ 3.84	\$ 3.51	\$ 3.36
Total Debt	\$ 24.26	\$ 18.63	\$ 16.63	\$ 5.26	\$ 4.88	\$ 4.50	\$ 4.17	\$ 3.84	\$ 3.51	\$ 3.36

Combining Chart of 10 Year Debt Service History and 10 Year Debt Service Projection

The chart and graph on the next page illustrate the County's ten (10) year, 2015-2024, annual debt service history and the County's anticipated annual debt service schedule for the next ten (10) years, 2025-2034.

The County's annual debt service payments have exceeded \$1,000,000 for six (6) of the past ten (10) years. The total debt service decreased in FY17/18 as compared to the prior year due to three (3) loans and a capital lease being paid off in the amount of roughly \$1,150,000. The payoff of the interim financing loan in FY16/17 in the amount of \$6,617,632 has been removed from the chart and graph for comparison purposes. It is anticipated debt service payments will significantly increase through FY26/27 then start a decline due to the maturity of the Line of Credit in September 2027.



Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Principal	\$ 1,206,022	\$ 1,013,419	\$ 1,617,300	\$ 459,713	\$ 558,796	\$ 469,207	\$ 591,501	\$ 766,500	\$ 871,050	\$ 18,742,839
Interest	\$ 187,217	\$ 122,062	\$ 150,819	\$ 82,026	\$ 435,435	\$ 243,702	\$ 248,929	\$ 358,982	\$ 3,046,123	\$ 1,225,172
Total Debt Service	\$ 1,393,239	\$ 1,135,481	\$ 1,768,119	\$ 541,739	\$ 994,231	\$ 712,909	\$ 840,431	\$ 1,125,483	\$ 3,917,173	\$ 19,968,011
Year	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Principal	\$ 22,808,467	\$ 18,311,567	\$ 6,314,767	\$ 317,867	\$ 191,267	\$ 195,067	\$ 137,300	\$ 141,300	\$ 145,300	\$ 149,300
Interest	\$ 1,380,505	\$ 1,097,356	\$ 614,126	\$ 155,822	\$ 148,913	\$ 143,432	\$ 138,904	\$ 135,326	\$ 131,643	\$ 127,855
Total Debt Service	\$ 24,188,972	\$ 19,408,923	\$ 6,928,893	\$ 473,688	\$ 340,179	\$ 338,499	\$ 276,204	\$ 276,626	\$ 276,943	\$ 277,155

DEBT MANAGEMENT & ANALYSIS

The County uses ratios, trends, and benchmarks to assess the County's level of outstanding debt. As a stand-alone number, these ratios are relatively useless, but the change in the ratios from year to year or the trend over time helps the County assess whether the total outstanding debt is at an appropriate level or if it is causing a financial burden.

While there are no statutory restrictions on the amount of debt the County may incur, industry norms and third parties have established benchmarks to help assess whether the County's total debt is at an appropriate or adequate level. These benchmarks must be refined or massaged to fit each local government since not all governments are the same size, have the same revenue resources, or provide the same services and so on. We also review these trends for mitigating factors that might cause the trend to seem favorable or unfavorable on the surface but not so when all variables are considered.

Many of the variables used in the following analysis must also be adjusted for inflation. The price index used by the Auditor General of Florida is the September Municipal Cost Index published by American City and County Magazine. This index is a weighted average of the consumer price index, the producer price index for industrial commodities and the construction cost index. These indices can be found on the *American City and County* website <https://www.americancityandcounty.com/municipal-cost-index/> or U.S. Bureau of Labor Statistics web site <https://www.bls.gov/cpi/>.

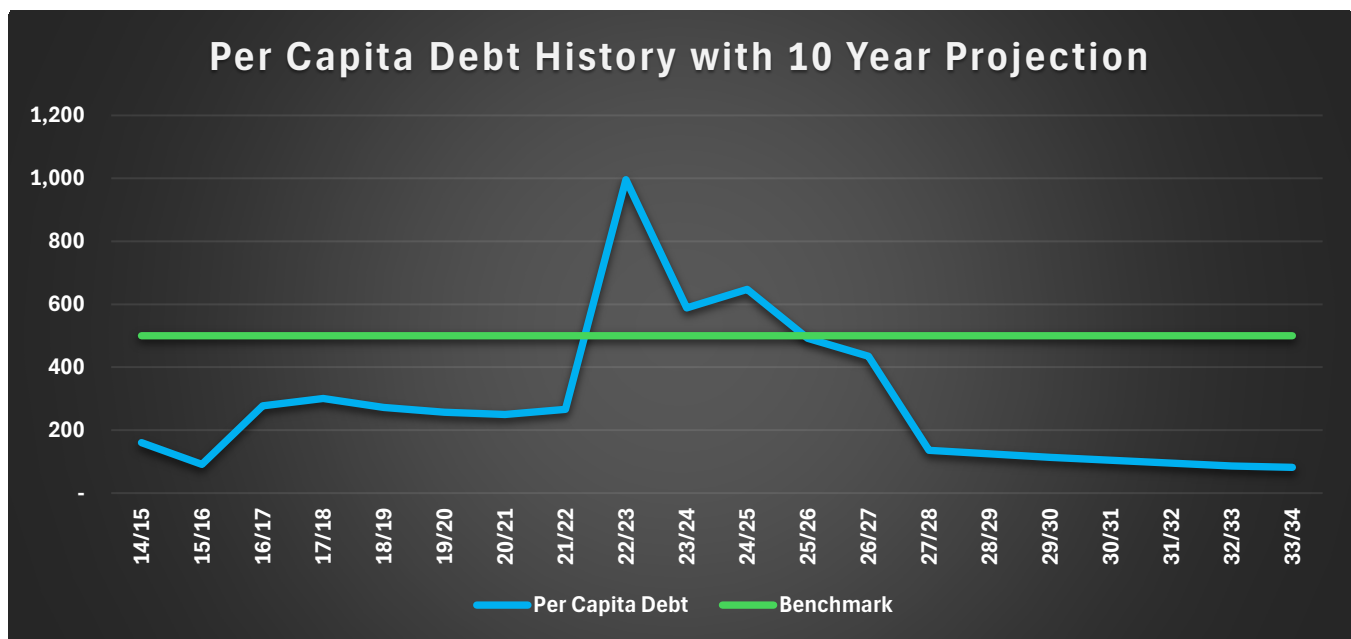
Total Outstanding Debt per Capita

One of the ways the County analyzes its total debt is by looking at the amount of outstanding debt per citizen over time. If the results of this analysis are increasing over time it may indicate that the County has a decreasing level of flexibility in how its resources (revenues) are allocated to its costs or it even may indicate a decreasing ability to pay its long-term debt. Simply put, as this number increases over time, the County is allocating more of its revenues to pay for annual debt services payments and is allocating less to operating costs or may be unable to adjust its budget due to unforeseen changes or events. And, as this number decreases, it indicates the County can easily adjust to unforeseen economic conditions.

The County's debt policy recommends a benchmark on the outstanding debt amount, and that it does not exceed \$500 per citizen. The estimated population of Wakulla County in 2024 was 37,115 which equates to an estimated self-imposed debt limit of \$18,557,500. The actual debt for 2024 is \$21,859,164, and \$589 per capita.

The highest per capita debt prior to FY22/23 was in FY 04/05 at \$437 (not shown on chart on the next page). The per capita debt of \$589 decreased in FY23/24 as compared to \$1,024 in FY22/23. The debt rate per capita is expected to increase in the next few years even as the population continues to grow due to total debt increasing from the LOC needed to complete several sewer expansion projects. The population growth is estimated to be approximately 1.10% over the next ten (10) year period. The County population estimates are from the U.S. Census Bureau website: <https://www.census.gov>.

Is \$500 an acceptable benchmark for Wakulla County? That depends on who you ask. Let's compare this to other actual debt averages. Currently, at the time of this report, the average federal debt per person in the U.S. is \$108,377, the average state debt (Florida) per person is \$6,396 and the average personal debt per person currently is \$105,056, according to the U.S. Debt Clock (www.usdebtclock.org). Additionally, the \$500 per citizen limit has not been adjusted for inflation or increased since the adoption of the debt policy in 2015, ten years ago.



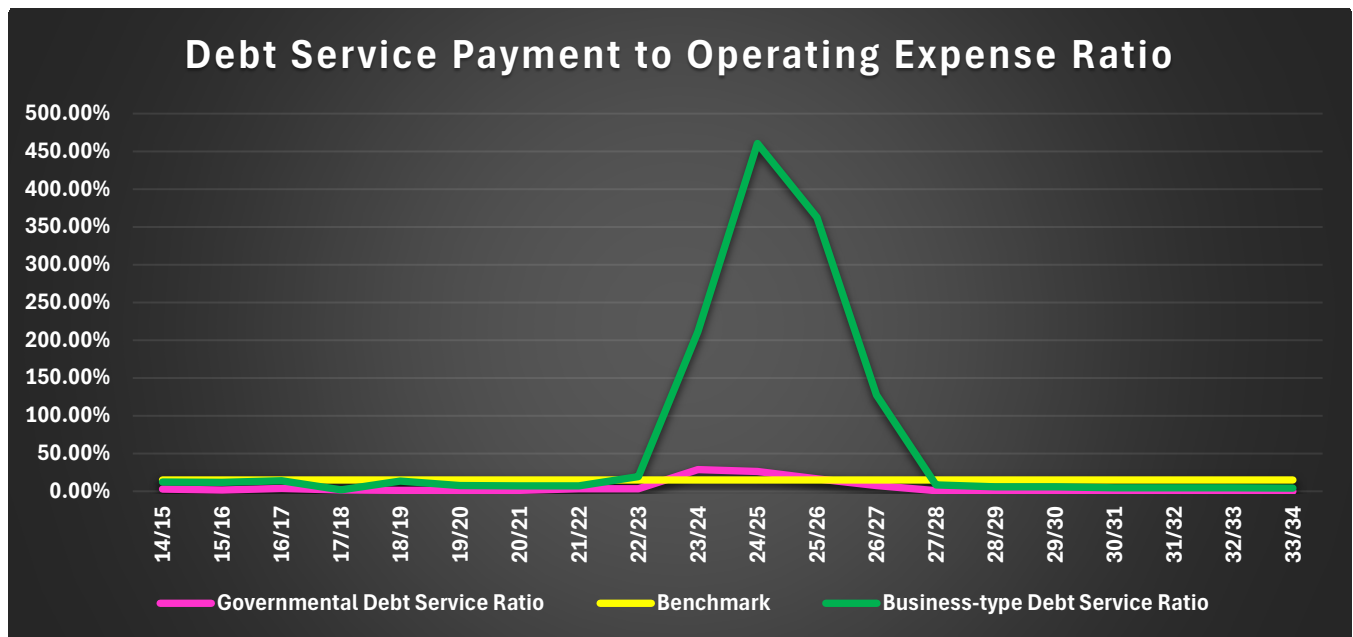
Debt Service Expenditures to Total Operating Expenditures

Another important factor in the overall health of the County's debt is looking at the trend of annual debt service payments (principal and interest) divided by the total operating expenditures (total expenditures, less capital expenditures, debt service payments and interfund transfers). It is important to distinguish governmental activities from business-type activities when looking at this trend. As the percentage of debt service payments compared to total operating expenditures increases over time, it may indicate a declining flexibility of the County to respond to uncertainties and changes in economic conditions. As the percentage decreases, it illustrates the County's ability to easily respond to these changing conditions. The County's debt policy recommends this ratio does not exceed 15% (15 cents of every revenue dollar for debt service and 85 cents of every dollar for operating costs).

The Governmental debt service ratio has averaged 4.93% over the last ten (10) years and, based on the current long-range plan, is expected to increase to 10.32% for the next five (5) years, but decrease the next ten (10) years to 5.16%. That is, about 10 cents of every dollar spent is expected to be spent on principal and interest payments over five (5) of the next ten (10) years. This increase is due to the rapid expansion of infrastructure and how these costs are repaid over the next five (5) years before returning to a more normal average. To estimate this ratio, operating expenses are estimated to increase 2.5% each year.

The Business-type debt service ratio has an average of 30.63% over the last ten (10) years. It averaged 9.46% for the first eight (8) years of the ten (10) year period. It has exceeded the 15% benchmark in two (2) of the last ten (10) years. This caused the cash position of the County's sewer and landfill funds to suffer and staff re-balanced the business-type debt with the issuance of the USDA revenue bonds to help with cashflow (FY17/18 - FY21/22). The Line of Credit has impacted this ratio, and staff expects the future 3-year average ratio (316.89%) to remain above the 15% benchmark due to the Line of Credit and reach an all-time high of 460.50% in FY24/25. The ratio is expected to settle below the benchmark in FY27/28 when the sewer infrastructure projects are completed and the Line of Credit has matured. The ratio is projected to remain below the benchmark for the remainder of the ten (10) year projection period (FY27/28 – FY33/34). The BOCC has implemented annual Consumer Pricing Index (CPI) adjustments to the sewer

rates to ensure the viability of the sewer fund. For purposes of calculating this ratio, the early retirement of debt each year is removed so that only scheduled annual debt service payments are considered.



Debt Service Coverage Ratios by Fund

Debt service coverage ratio (DSCR) is the ratio of cash available (net income) for debt service payments on an annual basis. Certain non-operating amounts are excluded from the net income calculation such as transfers in or out, certain non-routine capital expenditures and principal and interest payments.

This ratio is a benchmark used to measure the ability to produce enough cash to pay all operating costs (including depreciation expense) and the anticipated debt service payments annually. The higher the ratio the better it is. A ratio of 1.0 or more means you have sufficient revenues to pay the debt service payments and a ratio of less than 1.0 means you have insufficient revenues. The industry standard (credit rating agencies and banking industry) is typically between 1.10 and 1.20 depending on the circumstances of the borrowing. The County had a sewer rate study performed by Rafetilis to determine the sufficiency of wastewater revenue and access fee revenue. In its study Rafetilis used a debt service coverage ratio of 1.15. The sewer rate study was performed prior to the Line of Credit for infrastructure projects. The County intends to complete a new study every five years that includes updating the DSCR.

While a DSCR is calculated for every fund with debt service payments, several factors make analyzing this ratio difficult across all funds. For example, in a capital project fund such as the One Cent Sales Tax Fund, the net income before making debt service payments may be very high for several years while the cash is building up for a large purchase or construction project. When the funds are spent, there is a net loss in the year the funds are spent and the DSCR may be negative. For that reason, a DSCR is not useful in a capital project fund.

Another example may be when a fund pays off debt early or the debt service payment for the year will far exceed the typical debt service payment (pre-payments). Calculating a DSCR for funds that are not

operating funds and have only a few annual expenditures or the only expenditures are debt service payments is generally not useful.

Due to these factors, the DSCR is only a useful tool for the operating funds (Road Fund, Fire Fund, Sewer Fund and Solid Waste Fund). Wakulla County has debt service payments in the following funds:

- Governmental Funds:
 - Revenue Stabilization Fund – this fund was established as a mechanism to insulate the County from unexpected revenue decreases and to fund capital improvement projects. The DSCR ratio will vary greatly from year to year and will be negative in years in which large projects are in progress. The DSCR for FY23/24 is 0.04 which means the County did not have sufficient revenues and relied on cash reserves to pay the debt service payments and the ratio is below the 1.15 goal.
 - Road Department Fund – this special revenue operating fund finances the CAT Financial and Deere Credit, Inc., Motor Graders leases and the DSCR has historically been at an acceptable level. In FY16/17 the DSCR was insufficient due to a balloon payment due on the motor graders. The County stopped privatizing the road portion of Public Works in FY18/19 and net income has improved. The five (5) year plan has several capital road equipment purchases scheduled for this fund which includes the recent lease of 3 motor graders from John Deere Financial with annual payments over the next five (5) years. The DSCR for FY23/24 is 1.02, which means the County had sufficient revenues to pay the debt service payments, but the ratio is below the 1.15 goal.
 - Fire Department Fund – this special revenue operating fund finances the Leasing 2, Inc. leases for firetrucks and other fire capital equipment. This fund was established in FY21/22 and there were no funds pledged for debt service in this fund until FY22/23. There is not much historical data to trend the DSCR, but it is calculated for informational purposes. The DSCR for FY23/24 is 2.78, which means the County had sufficient revenues to pay the debt service payments and the ratio is above the 1.15 goal.
 - One Cent Sales Tax Public Facilities Fund – this capital project fund has funded several facility improvements over the years. This fund was used to fund the Fire/EMS Facility on Trice Lane which will mature in FY27/28. The DSCR ratio, as already mentioned, will vary greatly from year to year and will be negative in years in which large purchases/projects are made.
 - One Cent Sales Tax Public Safety Fund – this capital project fund is used for Public Safety Fire SCBA Equipment lease. That debt matured in FY23/24. No borrowings are expected in the five (5) year plan.
- Business-type Funds
 - Sewer Fund – this business-type operating fund has financed several sewer expansion projects in the past and there are several projects scheduled for the future. The DSCR was corrected in FY17/18 with the payoff of several outstanding loans and refunding them through the USDA loan. As other expansion projects will be necessary in the future, the fee structure of this fund

is being changed to ensure proper debt coverage exists. The USDA loan will be repaid beginning in FY2018 through 2057. Note the DSCR for has been negative for several years of the ten (10) year period in the chart on the next page. The DSCR ratio will vary greatly from year to year and will be negative in years in which large projects are in progress. Over the next four (4) years, the county will borrow from the Line of Credit and pay it back using grant funds as they come in. The

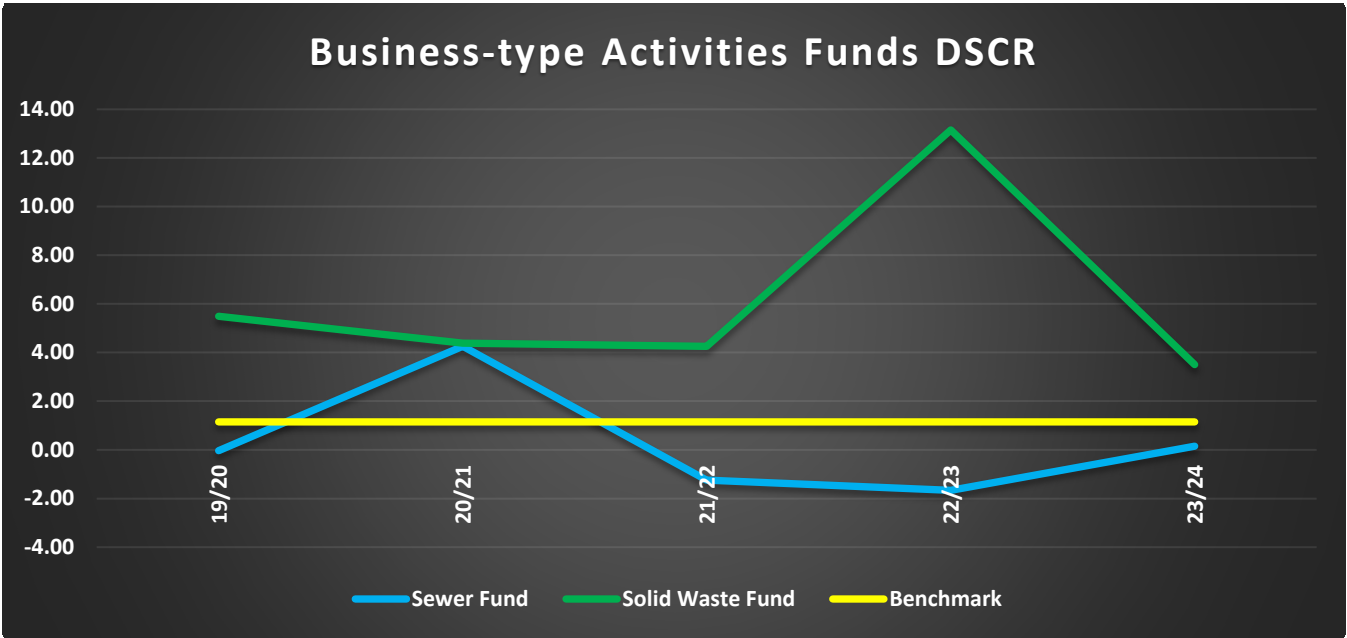
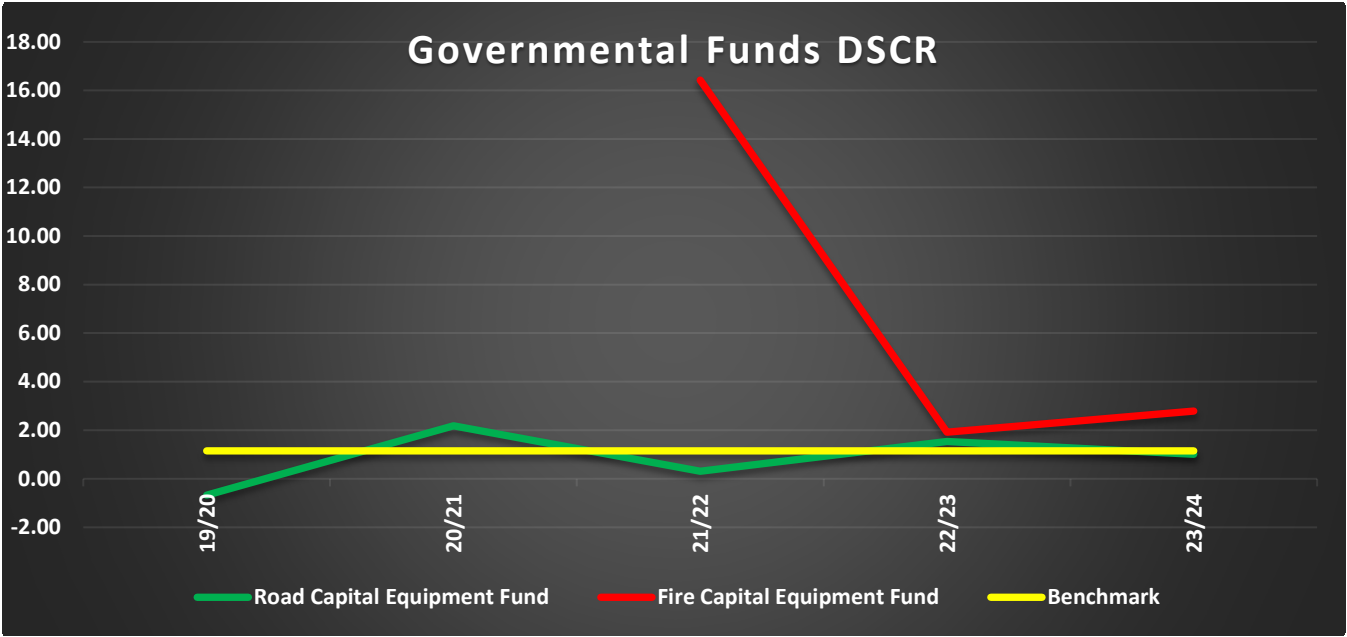
- DSCR for FY23/24 is 0.15 which means the County did not have sufficient revenues and relied on cash reserves to pay the debt service payments and the ratio is below the 1.15 goal.

- Solid Waste Fund – this business-type operating fund finances the Ameris Bank Landfill Closure loan and the DSCR is sufficient at 3.5. It is anticipated that this loan will be paid off in FY24/25.

	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Governmental Funds										
Revenue Stabilization Fund										
Annual Debt Service Pmt									397,322	8,559,933
Annual Net Income *									13,174,806	369,977
DSCR									33.16	0.04
Road Capital Equipment Fund										
Annual Debt Service Pmt	65,174	65,174	647,100	76,795	76,795	76,795	76,795	464,094	109,237	104,506
Annual Net Income *	140,472	284,371	1,742	225,926	962,230	(51,850)	167,609	142,018	168,151	106,096
DSCR	2.16	4.36	0.00	2.94	12.53	-0.68	2.18	0.31	1.54	1.02
Fire Capital Equipment Fund										
Annual Debt Service Pmt								11,682	159,429	136,981
Annual Net Income *								191,886	306,069	381,332
DSCR								16.43	1.92	2.78
One Cent Sales Tax - Public Facility										
Annual Debt Service Pmt	242,994	242,994	242,994	255,746	158,883	155,614	152,543	158,578	145,026	142,054
Annual Net Income *	305,539	382,343	297,210	(242,966)	(957,525)	296,454	306,633	(197,477)	4,463	(1,120,229)
DSCR	1.26	1.57	1.22	-0.95	-6.03	1.91	2.01	-1.25	0.03	-7.89
1 Cent Sales Tax Public Safety										
Annual Debt Service Pmt							131,427	139,571	123,283	131,427
Annual Net Income *							729,456	(11,231)	(41,666)	277,219
DSCR							5.55	-0.08	-0.34	2.11
Enterprise Funds										
Sewer Fund										
Annual Debt Service Pmt	512,259	474,351	582,722		551,456	275,218	275,763	284,951	458,893	10,642,073
Annual Net Income *	457,547	117,700	218,267	1,398,440	3,803,732	(9,866)	1,174,358	(352,537)	(763,452)	1,598,733
DSCR	0.89	0.25	0.37	0.00	6.90	-0.04	4.26	-1.24	-1.66	0.15
Solid Waste Fund										
Annual Debt Service Pmt	90,070	14,772	88,978	87,924	85,824	82,673	82,628	87,943	14,701	74,304
Annual Net Income *	162,900	209,945	152,338	57,959	243,710	453,878	362,201	374,248	193,330	260,421
DSCR	1.81	14.21	1.71	0.66	2.84	5.49	4.38	4.26	13.15	3.50

* Annual net income is net income less transfers in plus transfers out plus debt service payments or net income before transfers and debt service payments

The two charts below illustrate the DSCR for both governmental and business-type activities funds for the five (5) year period from 2020 through 2024.



OTHER POTENTIAL DEBT OBLIGATIONS

- 1. In 2013, the County opened a \$2,000,000 line of credit for disaster response / emergency preparation. No monies have been borrowed and only the BOCC may authorize a borrowing after declaring a state of emergency.

2. The widening of Crawfordville Highway will require the current County Administration facility and the facility that houses the Property Appraiser and the Supervisor of Elections to be demolished. The Florida Department of Transportation (FDOT) will pay the County for the value of the buildings and land, but it is highly unlikely those funds will be sufficient to build a new facility elsewhere. County staff are currently looking at options and locations for relocating these facilities. While no hard costs are currently in the five (5) year plan, it is estimated the project will cost \$10,000,000 with approximately \$7,500,000 being borrowed. For purposes of estimating future debt impacts, it is estimated the loan
3. will begin before FY28/29 and last for a 15-year term, ending in FY42/43. This is expected to be repaid from the One Cent Sales Tax Fund.
4. As noted in the introduction on page 4, the County also has long-term debt in the form of employment benefits. The three (3) primary obligations the County owes are future payouts of compensated absences, pension obligations (unfunded liability on future payouts of retirement benefits through the Florida Retirement System) and other post-employment benefits (implicit subsidy of health insurance for retirees). The total of these obligations will never all be due at the same time but will be typically paid out over time as they become due as employees leave or retire. Compensated absences are paid out in a lump sum as employees leave the County based on the guidelines of the employee handbook. Retirement benefits are paid as billed by the Florida Retirement System monthly, and other post-employment benefits are paid out as the health insurance is billed by Capital Health Plan (CHP) monthly. The County has little to no control over these obligations unless the BOCC chooses to change the benefits paid to employees and those changes would only affect new employees.

The long-term debt balances at year end FY23/24 for compensated absences was \$1,454,285, \$32,178,877 in future pension obligations, and \$4,446,956 in other post-employment benefits.

5. As noted in the Debt Overview section, the County also has estimated future liabilities related to the closure and post-closure of the County's landfill. This liability will be paid annually over time to a vendor who monitors the landfill for compliance with Florida Department of Environmental Protection (FDEP) standards. The estimated liability at year end FY23/24 was \$369,855.
6. The total debt for the County as of September 30, 2024, according to the annual financial report is \$57,086,739 which is \$1,538 of debt per Wakulla citizen.

DEBT POLICY

If you have any questions regarding this report, please contact the Clerk of Court, Greg James at 850-926-0325 or gjames@wakullaclerk.com . If you would like a copy of the County's debt policy visit the County's website at:

https://www.mywakulla.com/departments/public_services/administrative_regulations/index.php

End of Report