

GO #4
April 11, 2011

MEMORANDUM

April 7, 2011

TO: Government Operations and Fiscal Policy Committee
FROM: *CHS*
Charles H. Sherer, Legislative Analyst
SUBJECT: FY12 Operating Budget for Debt Service on general obligation bonds and short and long term obligations for County Government

Those who may attend this worksession include:

Jennifer Barrett, Director, Finance
Glenn W. Wyman, Debt and Cash Manager, Finance
Jacqueline Carter, Office of Management and Budget Manager

Overview

Virtually all of the budget for debt service in FY12 is the estimated amount of principal plus interest payments on debt the County has already incurred to finance capital projects the County has previously approved and has started making payments for. The FY12 budget does include \$8.8 million for one interest payment for an estimated \$320 million bond issue in the fall of 2011 (FY12). Some of the \$320 million must be borrowed to pay for projects that have already started. The Executive's recommended budget for FY12 is **\$296,714,990**, up \$34.6 million/13.2% from the FY11 approved budget of \$262.1 million.

The six year projections on ©7 assume bond sales of \$320 million per year. Projected debt service in FY17 is \$416.2 million, up 40% from \$296.7 million in FY12. This is an annual increase of 7.0%.

Debt service in this account is for County general obligation bonds and short and long-term obligations for the following tax-supported and non-tax-supported funds: General Fund, Fire Tax District Fund, Mass Transit Fund, Recreation Fund, Bradley Noise Abatement Fund, Cabin John

Noise Abatement Fund, the Montgomery Housing Initiative Fund, and the Water Quality Protection Fund.

The debt service in the General Fund is for various County Government facilities, and also for MCPS, the College, and County-wide parks. Debt service for the revenue bonds sold to finance projects in the enterprise funds is included in their budgets (©8), and debt service for Park bonds used to finance local parks is included in the budget for Parks.

The debt service budget includes debt service on general obligation bonds and on bond anticipation notes (also known as commercial paper), which are short-term notes the County issues several times each year to pay for capital projects. The County then issues long-term general obligation bonds to repay the notes. Debt service also includes long-term and short-term lease payments, both of which are virtually identical to debt service.

Debt Service

MISSION STATEMENT

This section provides budget data for the repayment of general obligation bond issues, and other long- and short-term financing for public facilities, equipment and infrastructure in the Debt Service Fund for all tax supported County agencies (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs. Non-tax supported debt repayment related to the MHI Property Acquisition Fund is also included.

BUDGET OVERVIEW

The total recommended FY12 Operating Budget for Debt Service is \$296,643,260 an increase of \$34,638,400 or 13.2 percent from the FY11 approved budget of \$262,004,860. This amount excludes \$71,730 in debt service which is appropriated in non-tax supported funds.

General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 56.1 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY11-16 Amended CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefiting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local regulations, interest rates are lower than in the private sector.

"General obligation" refers to the fact that the bonds are backed by the "full faith and credit" of the County and its general revenue stream. In addition, the Montgomery County Charter provides that the Director of Finance must make debt service payments even if the Council fails to provide sufficient appropriation. County G.O. bonds are exempt from Federal taxes and also from State taxes for citizens of Maryland. Finally, the County strives to maintain its total and projected outstanding debt and debt service within certain financial parameters according to the County's fiscal policy. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. On February 1, 2011, the County Council approved SAG limits at \$320.0 million for FY11, \$320.0 million for FY12 and \$1,920.0 million for the FY11-16 period.

Debt Service Program

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY12. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes); Roads and Storm Drains; Public Housing; Parks (including land and development for M-NCPPC regional and Countywide use parks); Public Schools; Montgomery College; Fire Tax District; Mass Transit Fund; Recreation Fund; Noise Abatement Districts; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, and the Cabin John Noise Abatement Fund) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations and short-term financing obligations.

Certain other expenditures and revenues are included in Debt Service budget calculations. The total Debt Service budget consists of principal and interest on the bonds, long-term lease obligations and short-term financing obligations. Bond anticipation notes (BANs)/commercial paper are short-term capital financing instruments issued with the expectation that the principal amount will be refunded with long-term bonds. In the meantime, interest costs are incurred, usually at lower rates than with more permanent financing. Cost of issuance includes the legal, administrative, and production cost of rating, issuing, and selling bonds, BANs/commercial paper and short- and long-term lease obligations as well as financial advisory services.

Funding sources which offset the General Fund requirement for Debt Service include the accrued interest on bonds between the date of issue and the date the County receives the proceeds, investment income on BANs/commercial paper, and any premium on bonds issued. The special funds will fund the Debt Service appropriation via a transfer from individual special funds to the Debt Service Fund.

The Montgomery County Revenue Stabilization Fund Law, Article XII, Section 20-71, Interest, required transfer of interest earned on the Fund when the Fund exceeded 50 percent of the maximum Fund size authorized by Section 20-67(a). Interest was transferred to the Debt Service Fund as an offset to the approved issuance of general obligation debt (PAYGO). The interest income earned was transferred from the Revenue Stabilization Fund to the Debt Service Fund and then transferred from the Debt Service Fund to the CIP Fund to offset G.O. bond funding. From FY98 to FY10, the Revenue Stabilization Fund exceeded 50 percent of the maximum Fund size and interest was transferred to the Debt Service Fund. The Revenue Stabilization Fund (Fund) Law was amended effective October 4, 2010 to require that all interest earned on the Fund be added to the Fund.

FY11 Estimated Debt Service

FY11 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$258.9 million which approximates the budget of \$259.1 million.

FY12 Recommended Debt Service Budget

The FY12 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through July 2010) plus the following:

- A fall 2011 (FY12) issue of \$320 million at an interest cost of 5.5 percent for 20 years with even principal payments.
- Interest expense based on an anticipated average BANs/commercial paper balance of \$385.0 million during FY12.
- Other short- and long-term financing obligations displayed in a chart at the end of the section.

Fall bond issues are expected to continue in FY12 through FY17. The favorable short-term interest on commercial paper is significantly offset by investment income earned by BANs/commercial paper funds prior to their required use for project expenditures.

The Debt Service assumptions discussed above result in a total FY12 Debt Service requirement for tax supported funds of \$291.6 million, which is a 12.5 percent increase from the FY11 budget of \$259.1 million. The General Fund appropriation requirement is \$254.1 million, or 12.0 percent more than the budgeted FY11 amount of \$226.9 million. A schedule detailing debt service principal and interest by major fund is included at the end of the chapter.

Public Services Program

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended Amended CIP, adjusted for inflation, and implementation of the capital program at a projected 84 percent rate for FY11 and 85.7 percent for FY12-FY16. The actual interest cost of 5.5 percent is budgeted for the fall 2011 (FY12) issue. Projected interest rates for bond issues for FY12 through FY16 are based on market expectations for coupon rates, which drive actual debt service costs. Under these projections and assumptions, tax-supported Debt Service will increase from \$291.6 million in FY12 to \$399.9 million by FY17 with the General Fund revenue requirement growing from \$254.1 million in FY12 to \$353.6 million by FY17.

Capital Improvements Program

Impact On Operating Budget

Debt Service Requirements

Debt Service requirements are the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization, with estimated project costs, sources of funding, and timing of work over a six-year period. Each bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. Debt Service expenditures take up fiscal capacity that could be diverted to improved services as well as tax bill containment. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The County Council adopts Spending Affordability Guidelines for the capital budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other short- and long-term commitments, are expected to stay manageable, representing about ten percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased Debt Service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues

for the six years which are the basis of the G.O. bond-funded portion of the Recommended FY11-16 Amended CIP.

Annual bond-funding requirements (on which future debt issue projections are based) are based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Recommended FY11-16 Amended Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY11-16 Amended CIP is included at the end of this section.

Debt Limit

The County's outstanding general obligation debt totals \$1,769,839,285 as of June 30, 2010. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2010, is \$10,644,410,104 based upon the assessed valuation \$167,096,843,537 for all real property and \$4,123,996,612 for personal property. The County's outstanding general obligation debt of \$1,769,839,285 plus outstanding short-term commercial paper of \$425,000,000 is 1.28 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2010 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet.

Leases and Other Debt

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term financing, where the payments represent a substantial County commitment for the acquisition of assets which have a shorter life, but still result in a substantial asset, are also displayed and appropriated within this Fund.

Loan payments to HUD are related to a HUD Section 108 program loan that was received by the County. The County re-loaned the funds to HOC. Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the MHI fund support the repayment shown in the Debt Service Fund.

The FY12 appropriations for the long- and short-term financing are displayed in a chart at the end of this section.

Other Long-Term Debt

Other long-term debt includes the debt service costs, offset by a transfer from the MHI Fund, for the issuance of debt to create a property acquisition revolving fund which will significantly increase the County's capacity to acquire and renovate affordable housing. Long-term debt payments to acquire the Silver Spring Music Venue and Site II land are also included.

Commencing in FY11, Water Quality Protection bonds will finance stormwater management requirements resulting from the new National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS-4) permit requirements. To pay for the debt service, a transfer of funds from the Water Quality Protection Fund to the Debt Service fund is required.

Certain other types of long-term debt are issued by the County government and State-chartered agencies of the County, such as the Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Housing Opportunities Commission, and the Revenue Authority. Examples are revenue bonds, backed by fees and charges to facility users; and agency bonds, backed by separate taxes, charges, other revenues, and/or the faith and credit available directly to these agencies. In some cases, the County government may make direct payments under contract to these or other agencies, such as the service payment to the Northeast Maryland Waste Disposal Authority for financing of the Resource Recovery Facility. Most of these other types of non-general obligation debt are not included in expenditure listings of this section.

Rating Agency Reviews

Montgomery County continues to maintain its status as a top-rated issuer of municipal securities. The County has the highest credit ratings possible for a local government, AAA from Moody's Investors Service, Inc. (since 1973), from Standard and Poor's (since 1976), and from Fitch (since 1993, the first year a rating was sought from Fitch). These high ratings are critical to ensure the lowest possible cost of debt to citizens. High ratings translate into lower interest rates and considerable savings over the 20-year interest payments on the bonds. The rating agencies also place great emphasis on certain operating budget criteria, the quality of government administration, legal or constitutional restrictions, and the overall condition of the local economy. All of these factors are considered evidence of both the ability and willingness of local governments to support public debt.

Special Taxing Districts

Three development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The West Germantown District was created by Council Resolution 13-1135, the Kingsview Village Center Development District was created by Resolution 13-1377, and the Clarksburg Town Center District was created by Resolution 15-87. The creation of the development districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or purchase of infrastructure improvements.

The West Germantown Development District was created in an unincorporated area of Montgomery County, encompassing approximately 671 acres. Various transportation, local park, and sewer infrastructure improvements were constructed by developers and acquired by the County at completion for a total cost of \$15.9 million. Special obligation bonds were issued in March 2002.

The Kingsview Village Center Development District was created in an unincorporated area of Montgomery County, encompassing approximately 29 acres. Various transportation improvements were constructed by developers and acquired by the County at completion for a total cost of \$2.4 million. Special obligation bonds were issued in December 1999.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion. Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved Resolution 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg Village and Clarksburg Skylark. In January 2008, the County Executive transmitted to the Council the Fiscal Report for Clarksburg Village and Clarksburg Skylark recommending the creation of the development districts.

In October 2010, the County Council terminated the Clarksburg Town Center development district, therefore no bonds were issued and no special taxes or assessments were levied.

The County issues special obligation bonds to fund the acquisition of the completed infrastructure assets. The debt service on the special obligation debt is funded by an ad valorem tax and special benefit assessment levied on the properties located in the development district. The County Council, by separate resolution, sets the ad valorem tax and special benefit assessment at rates sufficient to pay the principal, interest, any redemption premium on the bonds, and administrative expenses.

Revenues resulting from the ad valorem tax and special benefit assessed, and expenditures for the debt service on the special obligation bonds and administrative expenses, are accounted for in an agency fund, because the County has no obligation whatsoever for the indebtedness. The County acts only as a financing conduit and agent for the property owners and bondholders. In accordance with Section 20A-1 of the Montgomery County Code, the bonds or other obligations issued may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power.

In March 2010, the County adopted a new sector plan for the White Flint area of north Bethesda. This smart-growth master plan attempts to transform the area into a pedestrian-friendly, transit-oriented, urban setting that is expected to be a leading economic engine for the County. To successfully implement the sector plan, the County adopted legislation (Bill 50-10, December 2010) to create a new special taxing district in the White Flint area, along with an implementation strategy and a list of the infrastructure necessary to successfully implement that strategy (Resolution No. 16-1570, December 2010). Bill 50-10 creates the White Flint Special Taxing District (Chapter 68C of the County Code) in order to collect ad valorem tax revenues that will provide a stable, reliable and consistent revenue stream to fund the transportation infrastructure improvements identified in the implementation and strategy resolution, by paying for the bonds authorized by the legislation.

PROGRAM CONTACTS

Contact Glenn Wyman of the Department of Finance at 240.777.8929 or Christopher Mullin of the Office of Management and Budget at 240.777.2772 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg Bud/Rec
DEBT SERVICE					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	219,879,432	236,140,950	236,111,140	262,109,890	11.0%
Debt Service Other	17,551,670	22,950,430	22,783,490	29,464,180	28.4%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	237,431,102	259,091,380	258,894,630	291,574,070	12.5%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Federal Subsidy on General Obligation Bonds	1,757,719	3,858,410	5,102,180	6,278,730	62.7%
Premium on GO Bonds	2,801,215	0	0	0	—
BAN/Comm Paper Investment Income: Pooled	212,941	689,570	182,830	404,500	-41.3%
Accrued Interest: Installment Notes, I&P	0	17,570	0	0	—
Accrued Interest: Bonds Non-Pooled	3,137,035	575,000	0	575,000	—
Debt Service Revenues	7,908,910	5,140,550	5,285,010	7,258,230	41.2%
DEBT SERVICE - NON-TAX SUPPORTED					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service - Non-Tax Supported Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service Other	0	2,913,480	2,602,130	5,069,190	74.0%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	0	2,913,480	2,602,130	5,069,190	74.0%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
DEPARTMENT TOTALS					
Total Expenditures	237,431,102	262,004,860	261,496,760	296,643,260	13.2%
Total Full-Time Positions	0	0	0	0	—
Total Part-Time Positions	0	0	0	0	—
Total Workyears	0.0	0.0	0.0	0.0	—
Total Revenues	7,908,910	5,140,550	5,285,010	7,258,230	41.2%

DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT							
	Actual FY09	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg App/Bud	App % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	26,072,025	25,845,026	26,755,120	27,540,510	32,850,820		12.9%
Roads & Storm Drains	49,276,790	51,732,527	54,807,900	54,102,350	59,636,210		23.4%
Public Housing	175,005	108,315	87,540	34,920	79,350		0.0%
Parks	7,064,767	7,376,222	8,264,900	8,255,340	8,845,930		3.5%
Public Schools	102,354,007	109,788,904	112,965,990	111,540,960	120,019,250		47.1%
Montgomery College	7,912,457	9,377,964	10,601,800	10,915,140	14,047,900		5.5%
Bond Anticipation Notes/Commercial Paper	4,121,080	1,248,473	1,962,500	1,962,500	3,425,000		
Bond Anticipation Notes/Liquidity & Remarketing	-	-	3,000,000	4,000,000	2,725,000		
Cost of Issuance: General Fund	922,301	2,564,671	1,088,320	1,088,320	1,113,890		
Total General Fund	197,898,432	208,022,102	219,534,070	219,440,040	242,743,350	10.6%	92.4%
Fire Tax District Fund	3,416,221	3,806,874	5,236,630	5,490,530	6,943,680	32.6%	2.7%
Mass Transit Fund	2,028,746	2,696,182	3,489,700	3,266,100	3,290,520	-5.7%	1.3%
Recreation Fund	4,676,758	5,318,615	7,846,590	7,880,510	9,100,080	16.0%	3.6%
Bradley Noise Abatement Fund	28,810	27,495	26,180	26,180	24,870	-5.0%	0.0%
Cabin John Noise Abatement Fund	8,553	8,164	7,780	7,780	7,390	-5.0%	0.0%
Total Tax Supported Other Funds	10,159,088	11,857,330	16,606,880	16,671,100	19,366,540	16.6%	7.6%
TOTAL TAX SUPPORTED	208,057,520	219,879,432	236,140,950	236,111,140	262,109,890	11.0%	100.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	208,057,520	219,879,432	236,140,950	236,111,140	262,109,890	11.0%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	2,490,519	1,903,289	1,901,650	1,901,650	1,903,890		
Revenue Authority - HHS Piccard Drive	632,698	635,692	632,480	632,480	633,040		
Silver Spring Garages	5,553,516	5,590,326	5,544,320	5,544,320	5,554,170		
Revenue Authority - Recreation Pools	2,662,966	2,664,819	2,325,820	2,325,820	2,325,680		
Fire and Rescue Equipment	4,553,500	4,542,000	4,509,230	4,509,230	4,459,480		
TOTAL LONG-TERM LEASE EXPENDITURES	15,893,199	15,336,126	14,913,500	14,913,500	14,876,260	-0.2%	
SHORT-TERM LEASE EXPENDITURES / FINANCING							
Technology Modernization Project	-	1,815,544	3,701,260	3,666,890	4,815,410		
Ride On Buses	-	-	3,600,000	3,803,100	3,798,450		
Public Safety System Modernization	-	-	-	-	4,927,200		
Fire and Rescue Fuel Management System	-	-	-	-	311,200		
Fire and Rescue Equipment	591,728	-	-	-	-		
TOTAL SHORT-TERM LEASE EXPENDITURES	591,728	1,815,544	7,301,260	7,469,990	13,852,260	89.7%	
OTHER LONG-TERM DEBT							
Silver Spring Music Venue - Tax supported	-	-	335,670	-	335,660		
Site II Acquisition - Tax supported	-	400,000	400,000	400,000	400,000		
MHI-HUD Loan - Non-Tax supported	76,862	75,286	73,580	73,580	71,730		
Water Quality Protection Bonds - Non-Tax supported	-	-	413,480	100,000	450,000		
MHI - Property Acquisition Fund - Non-tax supported	-	-	2,500,000	2,502,130	4,619,190		
TOTAL OTHER LONG-TERM DEBT	76,862	475,286	3,722,730	3,075,710	5,876,580	57.9%	
DEBT SERVICE EXPENDITURES							
Tax Supported	224,542,447	237,431,102	259,091,380	258,894,630	291,574,070		
Non-Tax Supported - Other & GO Bond Debt	76,862	75,286	2,987,860	2,675,710	5,140,920		
TOTAL DEBT SERVICE EXPENDITURES	224,619,309	237,506,388	262,078,440	261,570,340	296,714,990	13.2%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	195,205,792	200,396,941	214,393,520	214,432,780	235,485,120		
Accrued Interest: GO Bonds-Non Pooled	623,264	-	575,000	-	575,000		
Accrued Interest: Installmt Notes, I&P, Street Assessmnts	896,190	3,136,166	17,570	-	-		
BAN/Commercial Paper Investment Income	1,412,223	213,811	689,570	182,830	404,500		
Federal Subsidy on General Obligation Bonds	-	1,757,719	3,858,410	5,102,180	6,278,730		
Premium on General Obligation Bonds	-	2,801,214	-	-	-		
Total General Fund Sources	198,137,469	208,305,851	219,534,070	219,717,790	242,743,350		
Fire Tax District Funds	3,164,512	3,586,400	5,236,630	5,490,530	6,943,680		
Mass Transit Fund	2,044,754	2,634,055	3,489,700	3,266,100	3,290,520		
Recreation Fund	4,673,423	5,317,467	7,846,590	7,880,510	9,100,080		
Bradley Noise Abatement Fund	28,810	27,495	26,180	26,180	24,870		
Cabin John Noise Abatement Fund	8,552	8,164	7,780	7,780	7,390		
Total Other Funding Sources	9,920,051	11,573,581	16,606,880	16,671,100	19,366,540		
TOTAL GO BOND FUNDING SOURCES	208,057,520	219,879,432	236,140,950	236,388,890	262,109,890		
NON GO BOND FUNDING SOURCES							
General Funds	9,268,461	10,344,851	12,515,380	11,867,600	18,569,370		
MHI Fund - HUD Loan	76,862	75,286	73,580	73,570	71,730		
Water Quality Protection Bonds - Non-Tax supported	-	-	413,480	100,000	450,000		
MHI Fund - Property Acquisition Fund	-	-	2,500,000	2,502,130	4,619,190		
Mass Transit Fund	-	-	3,600,000	3,803,100	3,798,450		
Recreation Fund	2,662,966	2,664,819	2,325,820	2,325,820	2,325,680		
Fire Tax District Fund	4,553,500	4,542,000	4,509,230	4,509,230	4,770,680		
TOTAL NON GO BOND FUNDING SOURCES	16,561,789	17,626,956	25,937,490	25,181,450	34,605,100		
TOTAL FUNDING SOURCES	224,619,309	237,506,388	262,078,440	261,570,340	296,714,990		
TRANSFERS							
FROM: RSF Investment Income	2,005,903	250,804	-	-	-		
TO: CIP - PAYGO	2,005,903	250,804	-	-	-		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	-	250,000,000	325,000,000	325,000,000	320,000,000		
Council SAG Approved Issues	-	-	325,000,000	320,000,000	320,000,000		

DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES AND OTHER DEBT

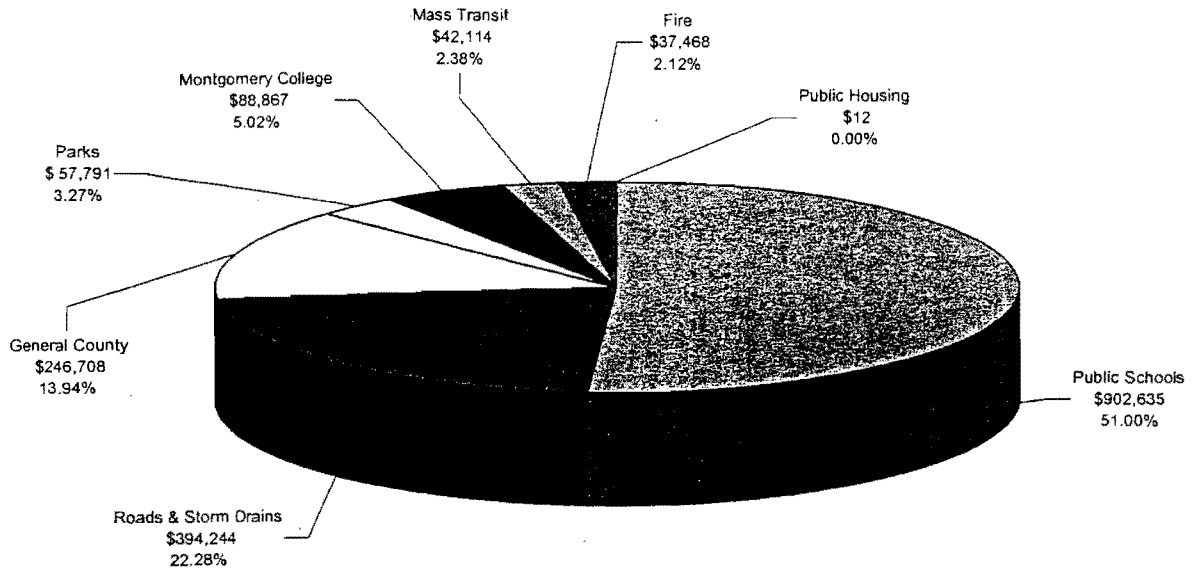
	Recommended FY12	Projected FY13	Projected FY14	Projected FY15	Projected FY16	Projected FY17
GO BOND DEBT SERVICE EXPENDITURES						
General County	32,850,820	39,922,920	46,830,030	49,693,470	52,273,130	54,619,320
Roads & Storm Drains	59,636,210	61,010,700	65,750,210	72,476,820	78,331,550	88,656,470
Public Housing	79,350	314,710	306,360	298,010	289,660	281,310
Parks	8,845,930	9,444,750	10,292,640	10,821,370	10,542,360	10,759,820
Public Schools	120,019,250	129,143,030	132,695,400	139,913,220	146,986,030	150,284,310
Montgomery College	14,047,900	15,441,470	16,549,240	17,696,510	19,536,380	19,181,460
Bond Anticipation Notes/Commercial Paper	3,425,000	3,900,000	5,600,000	5,600,000	8,400,000	11,200,000
Bond Anticipation Notes/Liquidity & Remarketing	2,725,000	2,725,000	2,725,000	2,725,000	2,725,000	2,725,000
Cost of Issuance	1,113,890	1,141,180	1,170,850	1,203,630	1,239,740	1,276,940
Total General Fund	242,743,350	263,043,760	281,919,730	300,428,030	320,323,850	338,984,630
Fire Tax District Fund	6,943,680	7,721,400	8,654,350	9,468,030	8,726,090	8,390,460
Mass Transit Fund	3,290,520	3,481,930	3,609,760	4,220,870	8,694,660	11,517,210
Recreation Fund	9,100,080	9,395,890	10,114,230	9,844,640	7,886,430	7,100,970
Bradley Noise Abatement Fund	24,870	23,550	-	-	-	-
Cabin John Noise Abatement Fund	7,390	7,000	-	-	-	-
Total Tax Supported Other Funds	19,366,540	20,629,770	22,378,340	23,533,540	25,307,180	27,008,640
TOTAL TAX SUPPORTED	262,109,890	283,673,530	304,298,070	323,961,570	345,631,030	365,993,270
TOTAL GO BOND DEBT SERVICE EXPENDITURES	262,109,890	283,673,530	304,298,070	323,961,570	345,631,030	365,993,270
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	1,903,890	995,440	993,190	993,190	996,020	997,360
Revenue Authority - HHS Piccard Drive	633,040	636,870	638,390	638,580	641,520	642,500
Silver Spring Garages	5,554,170	5,574,890	5,561,410	5,563,880	5,538,030	5,536,320
Revenue Authority - Recreation Pools	2,325,680	2,323,020	1,834,050	1,834,300	1,836,050	1,834,050
Fire and Rescue Equipment	4,459,480	4,418,350	3,780,600	3,741,600	3,723,200	3,715,800
TOTAL LONG-TERM LEASE EXPENDITURES	14,876,260	13,948,570	12,807,640	12,771,550	12,734,820	12,726,030
SHORT-TERM LEASE EXPENDITURES / FINANCING						
Technology Modernization Project	4,815,410	5,999,730	5,999,730	5,999,730	5,999,730	5,999,730
Ride On Buses	3,798,450	3,801,650	3,802,000	3,802,000	3,801,800	3,801,200
Public Safety System Modernization	4,927,200	7,649,240	10,394,210	10,394,210	10,394,210	10,394,210
Fire and Rescue Fuel Management System	311,200	568,250	568,250	568,250	568,250	257,050
TOTAL SHORT-TERM LEASE EXPENDITURES	13,852,260	18,018,870	20,764,190	20,764,190	20,763,990	20,452,190
OTHER LONG-TERM DEBT						
Silver Spring Music Venue - Tax supported	335,660	335,660	335,660	335,610	335,610	335,610
Site II Acquisition - Tax Supported	400,000	400,000	400,000	400,000	400,000	400,000
MHI-HUD Loan - Non-Tax supported	71,730	69,770	67,730	65,630	63,480	61,270
Water Quality Protection Bonds - Non-Tax supported	450,000	2,125,880	4,871,460	5,751,020	8,587,700	8,363,250
Property Acquisition Fund - Non-tax supported	4,619,190	6,784,770	7,892,730	7,894,110	7,898,740	7,895,410
TOTAL OTHER LONG-TERM DEBT	5,876,580	9,716,080	13,567,580	14,446,370	17,285,530	17,055,540
DEBT SERVICE EXPENDITURES						
Tax Supported	291,574,070	316,376,630	338,605,560	358,232,920	379,865,450	399,907,100
Non-Tax Supported - Other Long-term Debt	5,140,920	8,980,420	12,831,920	13,710,760	16,549,920	16,319,930
TOTAL DEBT SERVICE EXPENDITURES	296,714,990	325,357,050	351,437,480	371,943,680	396,415,370	416,227,030
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	235,485,120	255,379,280	273,514,330	291,440,760	310,856,190	329,336,090
Accrued Interest on Bonds - Non-Pooled	575,000	575,000	575,000	575,000	575,000	575,000
BAN/Commercial Paper Investment Income	404,500	810,750	1,551,670	2,133,540	2,715,420	3,103,330
Federal Subsidy on General Obligation Bonds	6,278,730	6,278,730	6,278,730	6,278,730	6,177,240	5,970,210
Total General Fund Sources	242,743,350	263,043,760	281,919,730	300,428,030	320,323,850	338,984,630
Fire Tax District Fund	6,943,680	7,721,400	8,654,350	9,468,030	8,726,090	8,390,460
Mass Transit Fund	3,290,520	3,481,930	3,609,760	4,220,870	8,694,660	11,517,210
Recreation Fund	9,100,080	9,395,890	10,114,230	9,844,640	7,886,430	7,100,970
Bradley Noise Abatement Fund	24,870	23,550	0	-	-	-
Cabin John Noise Abatement Fund	7,390	7,000	0	-	-	-
Total Other Funding Sources	19,366,540	20,629,770	22,378,340	23,533,540	25,307,180	27,008,640
TOTAL GO BOND FUNDING SOURCES	262,109,890	283,673,530	304,298,070	323,961,570	345,631,030	365,993,270
NON GO BOND FUNDING SOURCES						
General Funds	18,569,370	21,591,830	24,322,590	24,325,200	24,305,120	24,305,730
MHI Fund - HUD Loan	71,730	69,770	67,730	65,630	63,480	61,270
Water Quality Protection Bonds - Non-Tax supported	450,000	2,125,880	4,871,460	5,751,020	8,587,700	8,363,250
MHI Fund - Property Acquisition Fund	4,619,190	6,784,770	7,892,730	7,894,110	7,898,740	7,895,410
Mass Transit Fund	3,798,450	3,801,650	3,802,000	3,802,000	3,801,800	3,801,200
Recreation Fund	2,325,680	2,323,020	1,834,050	1,834,300	1,836,050	1,834,050
Fire Tax District Fund	4,770,680	4,986,600	4,348,850	4,309,850	4,291,450	3,972,850
TOTAL NON GO BOND FUNDING SOURCES	34,605,100	41,683,520	47,139,410	47,982,110	50,784,340	50,233,760
TOTAL FUNDING SOURCES	296,714,990	325,357,050	351,437,480	371,943,680	396,415,370	416,227,030
TRANSFERS						
FROM: RSF Investment Income	-	-	-	-	-	-
TO: CIP - PAYGO	-	-	-	-	-	-
Estimated Bond Sales	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000
Council SAG Approved Issues	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000
ESTIMATED INTEREST RATE	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

**Projected Debt Obligations
Schedule of Principal & Interest
FY12 Recommended Budget**

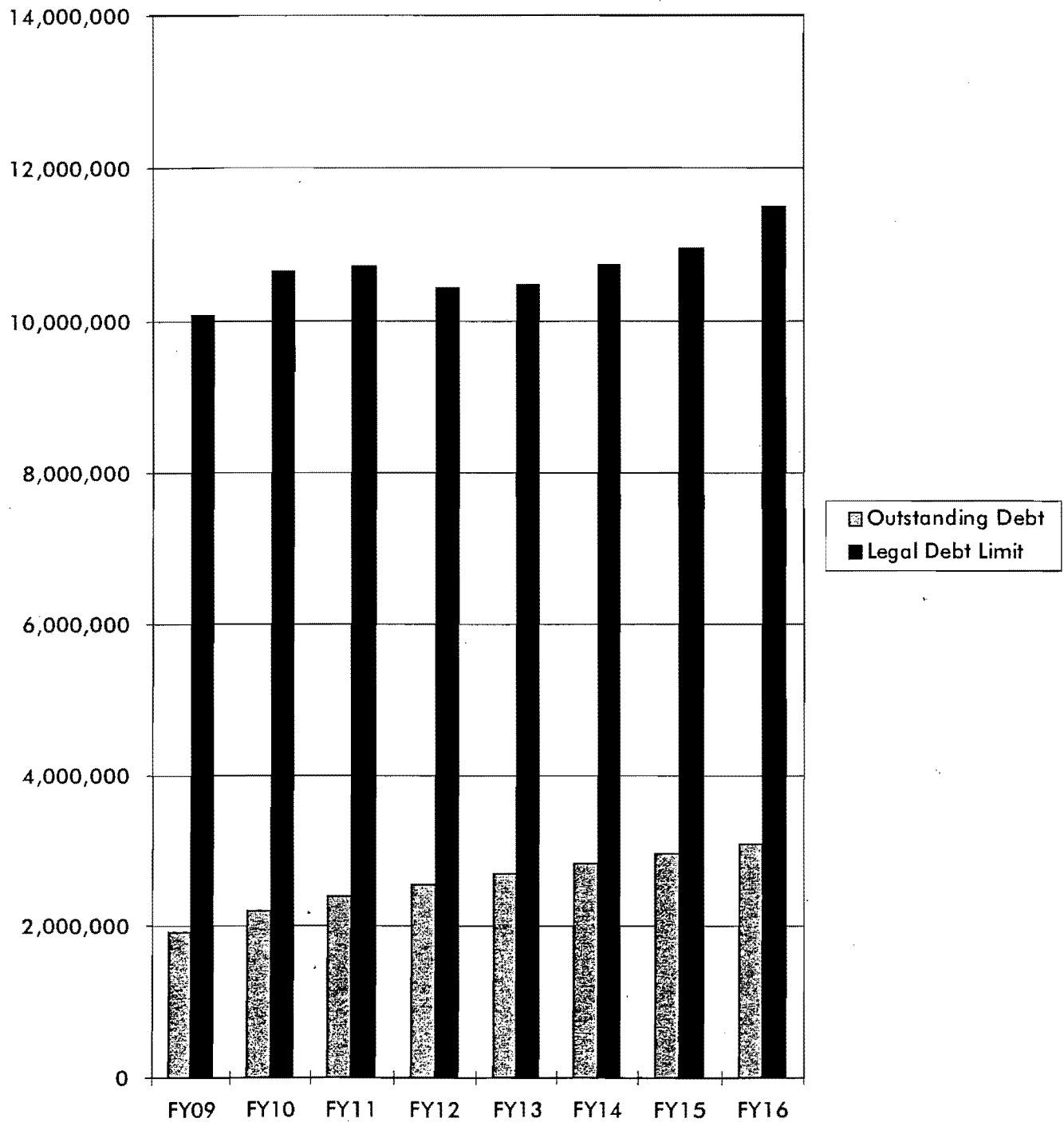
FUND	Principal	Interest	Total
Debt Service Fund	179,780,600	116,862,660	296,643,260
Liquor Control (Section 66)	2,635,000	4,068,490	6,703,490
Montgomery Housing Initiative	43,000	28,730	71,730
Bethesda Parking Lot District (Section 47)	1,995,000	2,460,360	4,455,360
Solid Waste Services (Section 64)	3,550,000	458,750	4,008,750
Total	188,003,600	123,878,990	311,882,590

**General Obligation Bonds Outstanding by Bond Category
(\$000s)**

Total \$1,769,839 as of June 30, 2010



**Outstanding Debt and Legal Debt Limit
(\$000s)**



DEBT CAPACITY ANALYSIS**FY11-16 Capital Improvements Program****COUNTY EXECUTIVE RECOMMENDED****MARCH 15, 2011****GO BOND 6 YR TOTAL = 1,950.0 MILLION****GO BOND FY11 TOTAL = 320.0 MILLION****GO BOND FY12 TOTAL = 320.0 MILLION**

	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1 GO Bond Guidelines (\$000) (3)	310,000	320,000	320,000	320,000	320,000	320,000	320,000
2 GO Debt/Assessed Value	1.26%	1.38%	1.52%	1.60%	1.64%	1.68%	1.66%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	8.75%	9.29%	10.01%	10.87%	11.21%	11.38%	11.54%
4 \$ Debt/Capita	2,272	2,451	2,599	2,731	2,852	2,959	3,048
5 \$ Real Debt/Capita (FY10=100%)	2,272	2,403	2,488	2,546	2,581	2,595	2,585
6 Capita Debt/Capita Income	3.16%	3.36%	3.50%	3.49%	3.46%	3.44%	3.41%
7 Payout Ratio	69.56%	68.65%	68.22%	68.04%	68.09%	68.31%	68.62%
8 Total Debt Outstanding (\$000s)	2,194,839	2,380,600	2,543,335	2,693,300	2,833,220	2,961,805	3,079,585
9 Real Debt Outstanding (FY10=100%)	2,194,839	2,333,922	2,435,025	2,510,812	2,564,322	2,597,580	2,612,066
10 Note: OP/PSP Growth Assumption (2)			2.7%	0.3%	3.5%	3.8%	4.1%

Notes:

- (1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.
- (2) OP/PSP Growth Assumption equals change in revenues from FY11 approved budget to FY12 budget for FY12 and budget to budget for FY13-16.
- (3) Reflects Council SAG GO Bond guidelines approved February 2011

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY11-16 Amended Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

MARCH 15, 2011

(\$ millions)	6 YEARS	FY11	FY12	FY13	FY14	FY15	FY16
BONDS PLANNED FOR ISSUE	1,940.000	320.000	320.000	325.000	325.000	325.000	325.000
Plus PAYGO Funded	162.000	-	32.000	32.500	32.500	32.500	32.500
Adjust for Implementation **	314.625	60.952	53.396	52.662	50.970	49.221	47.424
Adjust for Future Inflation **	(99.739)	-	-	(9.399)	(19.538)	(30.017)	(40.785)
SUBTOTAL FUNDS AVAILABLE FOR							
DEBT ELIGIBLE PROJECTS (after adjustments)	2,316.886	380.952	405.396	400.763	388.932	376.704	364.139
Less Set Aside: Future Projects	133.514	2.338	9.882	17.175	18.173	20.655	65.291
	5.76%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	2,183.372	378.614	395.514	383.588	370.759	356.049	298.848
MCPS	(837.224)	(191.883)	(153.642)	(145.986)	(163.957)	(114.706)	(67.050)
MONTGOMERY COLLEGE	(130.163)	(34.837)	(25.932)	(23.588)	(16.470)	(20.872)	(8.464)
M-NCPPC PARKS	(71.964)	(11.754)	(11.089)	(14.030)	(12.793)	(11.262)	(11.036)
TRANSPORTATION	(671.125)	(102.116)	(84.644)	(82.162)	(102.016)	(143.256)	(156.931)
MCG - OTHER	(569.511)	(105.116)	(146.099)	(120.912)	(76.064)	(65.953)	(55.367)
Programming Adjustment - Unspent Prior Years*	96.615	67.092	25.892	3.090	0.541	-	-
SUBTOTAL PROGRAMMED EXPENDITURES	(2,183.372)	(378.614)	(395.514)	(383.588)	(370.759)	(356.049)	(298.848)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		2.10%	2.40%	2.70%	3.00%	3.20%	3.40%
Implementation Rate =		84.00%	85.70%	85.70%	85.70%	85.70%	85.70%

	A	B
1	GO BOND SALES, \$million	
2		
3		
4	FY	Amount
5	1992	70.0
6	1993	115.0
7	1994	100.0
8	1995	100.0
9	1996	120.0
10	1997	115.0
11	1998	115.0
12	1999	120.0
13	2000	130.0
14	2001	140.0
15	2002	160.0
16	2003	155.0
17	2004	154.6
18	2005	200.0
19	2006	200.0
20	2007	250.0
21	2008	0.0
22	2009	250.0
23	2010	310.0
24	2011	325.0
25	2012	Estimated 320.0