

MEMORANDUM

April 17, 2012

TO: Government Operations and Fiscal Policy Committee
FROM: Jacob Sesker, Senior Legislative Analyst
SUBJECT: FY13 Operating Budget: Debt Service *JS*

Those expected to attend this worksession include:

Joe Beach, Director, Finance
Jacqueline Carter, Finance
Chris Mullin, OMB

- Relevant pages from the FY13 Recommended Operating Budget are attached on © 1-12.

Overview

The Executive requests \$307,645,650 for debt service in FY13. This amount represents an increase of \$11,002,390 (3.7%) over the FY12 approved budget of \$296,643,260. In FY13, as is true every year, the lion's share of the debt service budget is for estimated principal and 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 total debt service budget for FY13 is comprised of the annual debt service obligation of all outstanding general obligation bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures. The FY13 debt service budget is based on existing debt service requirements from bond issues prior to July 2011, plus:

- Fall 2012 (FY13) issue of \$295 million at an interest cost of 5.5% for 20 years, with even principal payments,
- Interest expense based on an anticipated average commercial paper/bond anticipation note balance of \$415.0 million during FY13, and
- Other short- and long-term financing obligations.

The debt service in the General Fund is for various County Government facilities, and also for MCPS, the College, and County-wide 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.

FY13 Expenditure Issues

It is important to note that debt service represents a cumulative cost of current and past spending decisions and, as such, even draconian cuts in capital spending in any one year are unlikely to have a significant effect on debt service costs in any subsequent year. Under the current guidelines, projected debt service in both FY17 and FY18 is \$405.5 million, up 37% from \$296.7 million in FY12 and up 32% from the requested amount of \$307.7 million in FY13.

That debt service costs are projected to increase in coming years in spite of recent decisions to issue less new debt over the next several years illustrates the challenges associated with reducing spending on debt service. On October 4, 2011, the Council approved “Spending Affordability Guidelines” (as required under County Charter §305) of \$295.0 million for FY13, \$295.0 million for FY14, and \$1,770.0 million for the six-year FY13-18 period. For comparison, the Council’s previous Spending Affordability Guidelines had established an annual limit of \$320.0 million—\$25.0 million higher than the approved \$295.0 million in general obligation debt. Based on current projections, this reduction will bring FY17 debt service costs down from an FY12 projection of \$416.2 million to an FY13 projection of \$405.5 million. However, the savings associated with reducing new capital spending, while small in comparison to the total debt service budget, are very large in comparison to the budgets of many County departments.

Proper management of the County’s debt plays a significant role in the County’s fiscal health. The Executive’s FY13 budget closed a large budget gap, and much of that gap was closed through debt service savings.

General Obligation Bonds:

- FY12 GO Bond issued at lower than anticipated interest rates \$7.0 million
- GO Bond Refunding Savings (August 2011) \$17.0
- Refunding Premium applied to debt service \$0.6
- Reduction in size of planned issue (MCG & M-NCPPC) \$1.7
- Lower than anticipated rates for commercial paper \$4.0
- Increased cost for remarketing and Letter of Credit (\$1.5)

Lease & other financing:

- Lower than anticipated financing costs for Tech Modernization, Public Safety Modernization, Fuel Management offset by higher costs for buses \$6.0

Staff recommendation: Approve debt service budget as requested.

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 and Water Quality Protection bonds are also included.

BUDGET OVERVIEW

The total recommended FY13 Operating Budget for Debt Service is \$307,645,650 an increase of \$11,002,390 or 3.7 percent from the FY12 approved budget of \$296,643,260. This amount excludes \$69,770 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 51.4 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY13-18 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 October 4, 2011, the County Council approved SAG limits at \$295.0 million for FY13, \$295.0 million for FY14 and \$1,770.0 million for the FY13-18 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 FY13. 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 investment income on BANs/commercial paper and may include 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.

FY12 Estimated Debt Service

FY12 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$274.8 million which is lower than the budget of \$291.6 million due in part to G.O. bond refunding savings.

FY13 Recommended Debt Service Budget

The FY13 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through July 2011) plus the following:

- A fall 2012 (FY13) issue of \$295 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 \$415.0 million during FY13.
- 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 FY13 through FY18. The favorable short-term interest on commercial paper is 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 FY13 Debt Service requirement for tax supported funds of \$298.8 million, which is a 2.5 percent increase from the FY12 budget of \$291.6 million. The General Fund appropriation requirement is \$258.2 million, or 1.6 percent more than the budgeted FY12 amount of \$254.1 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 CIP, adjusted for inflation, and implementation of the capital program at a projected 82 percent rate for FY13 and 82 percent for FY14-FY18. The actual interest cost of 5.5 percent is budgeted for the fall 2012 (FY13) issue. Projected interest rates for bond issues for FY13 through FY18 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 \$298.8 million in FY13 to \$385.1 million by FY18 with the General Fund revenue requirement growing from \$258.2 million in FY13 to \$347.0 million by FY18.

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 FY13-18 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 reserve 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 FY13-18 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY13-18 CIP is included at the end of this section.

Debt Limit

The County's outstanding general obligation debt totals \$1,955,600,000 as of June 30, 2011. 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, 2011, is \$10,645,876,345 based upon the assessed valuation \$167,790,792,529 for all real property and \$3,856,191,952 for personal property. The County's outstanding general obligation debt of \$1,955,600,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.43 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 (FY11 data above is preliminary and unaudited).

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 2011 (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 FY13 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 Jacqueline Carter of the Department of Finance at 240.777.8979 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 FY11	Budget FY12	Estimated FY12	Recommended FY13	% 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	232,961,231	262,109,890	248,684,650	268,928,280	2.6%
Debt Service Other	22,782,762	29,464,180	26,149,900	29,863,760	1.4%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	255,743,993	291,574,070	274,834,550	298,792,040	2.5%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					
Federal Grants	5,102,186	6,278,730	6,278,730	6,278,730	—
Investment Income	1,185,534	979,500	30,000	35,000	-96.4%
Miscellaneous Revenues	3,122,734	0	0	0	—
Debt Service Revenues	9,410,454	7,258,230	6,308,730	6,313,730	-13.0%
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	2,502,130	5,069,190	4,090,190	8,853,610	74.7%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	2,502,130	5,069,190	4,090,190	8,853,610	74.7%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
DEPARTMENT TOTALS					
Total Expenditures	258,246,123	296,643,260	278,924,740	307,645,650	3.7%
Total Full-Time Positions	0	0	0	0	—
Total Part-Time Positions	0	0	0	0	—
Total FTEs	0.00	0.00	0.00	0.00	—
Total Revenues	9,410,454	7,258,230	6,308,730	6,313,730	-13.0%

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

	Actual FY10	Actual FY11	Budget FY12	Estimated FY12	Recommended FY13	% Chg Rec/Bud	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	25,845,026	27,003,518	32,850,820	29,787,790	32,551,540		12.4%
Roads & Storm Drains	51,732,527	52,086,858	59,636,210	55,762,100	60,931,310		23.2%
Public Housing	108,315	34,920	79,350	79,350	62,080		0.0%
Parks	7,376,222	8,254,747	8,845,930	8,526,920	9,270,320		3.5%
Public Schools	109,768,904	111,502,816	120,019,250	115,248,640	122,423,790		46.5%
Montgomery College	9,377,964	10,912,757	14,047,900	13,553,530	15,129,550		5.8%
Bond Anticipation Notes/Commercial Paper	1,248,473	1,087,898	3,425,000	2,000,000	1,269,380		
Bond Anticipation Notes/Liquidity & Remarketing	-	2,950,530	2,725,000	3,400,000	3,500,000		
Cost of Issuance	2,564,671	1,457,453	1,113,890	1,113,890	1,146,200		
Total General Fund	208,022,102	216,291,497	242,743,350	229,472,220	246,284,170	1.5%	91.4%
Fire Tax District Fund	3,806,874	5,488,984	6,943,680	6,691,160	7,201,560		2.7%
Mass Transit Fund	2,696,182	3,265,863	3,290,520	3,621,420	5,658,860		2.2%
Recreation Fund	5,318,615	7,880,932	9,100,080	8,867,600	9,753,140		3.7%
Bradley Noise Abatement Fund	27,495	26,179	24,870	24,860	23,550		0.0%
Cabin John Noise Abatement Fund	8,164	7,776	7,390	7,390	7,000		0.0%
Total Tax Supported Other Funds	11,857,330	16,669,734	19,366,540	19,212,430	22,644,110	16.9%	8.6%
TOTAL TAX SUPPORTED	219,879,432	232,961,231	262,109,890	248,684,650	268,928,280	2.6%	100.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	219,879,432	232,961,231	262,109,890	248,684,650	268,928,280	2.6%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	1,903,289	1,901,647	1,903,890	1,903,890	995,440		
Revenue Authority - HHS Piccard Drive	635,692	632,473	633,040	633,040	636,870		
Silver Spring Garages	5,590,326	5,544,329	5,554,170	5,554,170	5,574,890		
Revenue Authority - Recreation Pools	2,664,819	2,325,813	2,325,680	2,325,680	2,323,020		
Fire and Rescue Equipment	4,542,000	4,509,226	4,459,480	4,459,480	4,418,350		
TOTAL LONG-TERM LEASE EXPENDITURES	15,336,126	14,913,488	14,876,260	14,876,260	13,948,570	-6.2%	
SHORT-TERM LEASE EXPENDITURES / FINANCING							
Technology Modernization Project	1,815,544	3,666,170	4,815,410	4,645,530	5,948,090		
Ride On Buses	-	3,803,104	3,798,450	3,798,450	4,570,460		
Public Safety System Modernization	-	-	4,927,200	2,186,770	4,373,600		
Fire and Rescue Fuel Management System	-	-	311,200	-	329,340		
TOTAL SHORT-TERM LEASE EXPENDITURES	1,815,544	7,469,274	13,852,260	10,630,750	15,221,490	9.9%	
OTHER LONG-TERM DEBT							
Silver Spring Music Venue - Tax supported	-	-	335,660	242,890	293,700		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000		
MHI-HUD Loan - Non-Tax supported	75,286	73,572	71,730	71,730	69,770		
Water Quality Protection Bonds - Non-Tax supported	-	-	450,000	-	3,210,000		
MHI - Property Acquisition Fund - Non-Tax supported	-	2,502,130	4,619,190	4,090,190	5,643,610		
TOTAL OTHER LONG-TERM DEBT	475,286	2,975,702	5,876,580	4,804,810	9,617,080	63.7%	
DEBT SERVICE EXPENDITURES							
Tax Supported	237,431,102	253,743,993	291,574,070	274,834,550	298,792,040		
Non-Tax Supported - Other Long-term Debt	75,286	2,575,702	5,140,920	4,161,920	8,923,380		
TOTAL DEBT SERVICE EXPENDITURES	237,506,388	258,319,695	296,714,990	278,996,470	307,715,420	3.7%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	200,396,941	207,864,998	235,485,120	223,163,490	239,970,440		
Accrued Interest: GO Bonds-Non Pooled	-	-	575,000	-	-		
Other Interest: Installment Notes, Interest & Penalties	3,136,166	1,054,896	-	-	-		
BAN/Commercial Paper Investment Income	213,811	130,638	404,500	30,000	35,000		
Federal Subsidy on General Obligation Bonds	1,757,719	5,102,186	6,278,730	6,278,730	6,278,730		
Premium on General Obligation Bonds	2,801,214	3,122,734	-	-	-		
Total General Fund Sources	208,305,851	217,275,452	242,743,350	229,472,220	246,284,170		
Fire Tax District Funds	3,586,400	5,202,615	6,943,680	6,691,160	7,201,560		
Mass Transit Fund	2,634,055	2,806,196	3,290,520	3,621,420	5,658,860		
Recreation Fund	5,317,467	7,643,013	9,100,080	8,867,600	9,753,140		
Bradley Noise Abatement Fund	27,495	26,179	24,870	24,860	23,550		
Cabin John Noise Abatement Fund	8,164	7,776	7,390	7,390	7,000		
Total Other Funding Sources	11,573,581	15,685,779	19,366,540	19,212,430	22,644,110		
TOTAL GO BOND FUNDING SOURCES	219,879,432	232,961,231	262,109,890	248,684,650	268,928,280		
NON GO BOND FUNDING SOURCES							
General Funds	10,344,851	12,144,619	18,569,370	15,566,290	18,222,590		
MHI Fund - HUD Loan	75,286	73,572	71,730	71,730	69,770		
Water Quality Protection Bonds	-	-	450,000	-	3,210,000		
MHI - Property Acquisition Fund	-	2,502,130	4,619,190	4,090,190	5,643,610		
Mass Transit Fund	-	3,803,104	3,798,450	3,798,450	4,570,460		
Economic Development Fund	-	-	-	-	-		
Recreation Fund	2,664,819	2,325,813	2,325,680	2,325,680	2,323,020		
Fire Tax District Fund	4,542,000	4,509,226	4,770,680	4,459,480	4,747,690		
TOTAL NON GO BOND FUNDING SOURCES	17,626,956	25,358,464	34,605,100	30,311,820	38,787,140		
TOTAL FUNDING SOURCES	237,506,388	258,319,695	296,714,990	278,996,470	307,715,420		
TRANSFERS							
FROM: RSF Investment Income	250,804	-	-	-	-		
TO: CIP - PAYGO	250,804	-	-	-	-		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	250,000,000	250,000,000	320,000,000	325,000,000	295,000,000		
Council SAG Approved Bond Funded Expenditures	-	325,000,000	320,000,000	320,000,000	295,000,000		

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

	Recommended FY13	Projected FY14	Projected FY15	Projected FY16	Projected FY17	Projected FY18
GO BOND DEBT SERVICE EXPENDITURES						
General County	32,551,540	42,143,100	50,170,200	58,593,490	63,000,500	68,898,570
Roads & Storm Drains	60,931,310	62,368,990	68,360,810	68,122,030	70,988,150	75,887,520
Public Housing	62,080	233,890	236,010	229,810	230,420	226,720
Parks	9,270,320	9,518,880	10,274,130	9,904,290	10,602,880	12,115,770
Public Schools	122,423,790	124,482,040	133,364,840	140,063,920	146,340,540	147,515,200
Montgomery College	15,129,550	16,228,160	18,469,540	20,775,770	22,574,290	24,071,610
Bond Anticipation Notes/Commercial Paper	1,269,380	2,598,540	3,885,830	6,273,750	8,464,790	9,468,540
Bond Anticipation Notes/Liquidity & Remarketing	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Cost of Issuance	1,146,200	1,178,860	1,212,460	1,244,590	1,277,570	1,312,060
Total General Fund	246,284,170	262,252,460	289,473,820	308,707,650	326,979,140	342,994,990
Fire Tax District Fund	7,201,560	8,232,280	8,919,870	7,892,120	8,064,200	8,676,780
Mass Transit Fund	5,658,860	5,558,940	5,550,390	7,632,720	7,441,350	7,343,310
Recreation Fund	9,753,140	10,347,240	10,667,710	9,224,150	8,393,190	8,319,190
Bradley Noise Abatement Fund	23,550	-	-	-	-	-
Cabin John Noise Abatement Fund	7,000	-	-	-	-	-
Total Tax Supported Other Funds	22,644,110	24,138,460	25,137,970	24,748,990	23,898,740	24,339,280
TOTAL TAX SUPPORTED	268,928,280	286,390,920	314,611,790	333,456,640	350,877,880	367,334,270
TOTAL GO BOND DEBT SERVICE EXPENDITURES	268,928,280	286,390,920	314,611,790	333,456,640	350,877,880	367,334,270
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	995,440	993,190	993,190	996,020	997,360	996,180
Revenue Authority - HHS Piccard Drive	636,870	638,390	638,580	641,520	642,500	-
Silver Spring Garages	5,574,890	5,561,410	5,563,880	5,538,040	5,536,330	-
Revenue Authority - Recreation Pools	2,323,020	1,834,050	1,834,300	1,836,050	1,834,050	1,834,450
Fire and Rescue Equipment	4,418,350	3,780,600	3,741,600	3,723,200	3,715,800	3,717,900
TOTAL LONG-TERM LEASE EXPENDITURES	13,948,570	12,807,640	12,771,550	12,734,830	12,726,040	6,548,530
SHORT-TERM LEASE EXPENDITURES / FINANCING						
Technology Modernization Project	5,948,090	6,236,090	6,236,090	6,236,090	6,236,090	2,317,000
HHS Technology Modernization Project	-	482,850	1,024,730	1,439,010	1,439,010	1,439,010
Ride On Buses	4,570,460	5,339,620	5,339,620	5,339,420	5,339,820	1,537,620
Public Safety System Modernization	4,373,600	6,665,500	8,957,400	8,957,400	6,770,600	4,583,800
Fire and Rescue Fuel Management System	329,340	956,130	956,130	956,130	956,130	626,800
TOTAL SHORT-TERM LEASE EXPENDITURES	15,221,490	19,680,190	22,513,970	22,928,050	20,741,650	10,504,230
OTHER LONG-TERM DEBT						
Silver Spring Music Venue - Tax supported	293,700	294,000	295,610	295,100	290,500	290,800
Site II Acquisition - Tax Supported	400,000	400,000	400,000	400,000	400,000	400,000
MHI-HUD Loan - Non-Tax supported	69,770	67,730	65,630	63,480	61,280	59,030
Water Quality Protection Bonds - Non-Tax supported	3,210,000	3,209,500	7,626,000	7,621,000	12,838,750	12,840,250
MHI - Property Acquisition Fund - Non-tax supported	5,643,610	7,509,320	7,508,500	7,512,500	7,512,410	7,514,040
TOTAL OTHER LONG-TERM DEBT	9,617,080	11,480,550	15,895,740	15,892,080	21,102,940	21,104,120
DEBT SERVICE EXPENDITURES						
Tax Supported	298,792,040	319,572,750	350,592,920	369,814,620	385,036,070	385,077,830
Non-Tax Supported - Other Long-term Debt	5,923,280	10,786,550	15,200,130	15,196,980	20,412,440	20,413,220
TOTAL DEBT SERVICE EXPENDITURES	307,715,420	330,359,300	365,793,050	385,011,600	405,448,510	405,491,150
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	239,970,440	255,905,600	282,797,290	303,700,730	321,328,760	336,990,680
BAN/Commercial Paper Investment Income	35,000	68,130	397,800	1,250,000	2,100,500	2,668,730
Federal Subsidy on General Obligation Bonds	6,278,730	6,278,730	6,278,730	3,756,920	3,549,880	3,336,080
Total General Fund Sources	246,284,170	262,252,460	289,473,820	308,707,650	326,979,140	342,994,990
Fire Tax District Fund	7,201,560	8,232,280	8,919,870	7,892,120	8,064,200	8,676,780
Mass Transit Fund	5,658,860	5,558,940	5,550,390	7,632,720	7,441,350	7,343,310
Recreation Fund	9,753,140	10,347,240	10,667,710	9,224,150	8,393,190	8,319,190
Bradley Noise Abatement Fund	23,550	0	-	-	-	-
Cabin John Noise Abatement Fund	7,000	0	-	-	-	-
Total Other Funding Sources	22,644,110	24,138,460	25,137,970	24,748,990	23,898,740	24,339,280
TOTAL GO BOND FUNDING SOURCES	268,928,280	286,390,920	314,611,790	333,456,640	350,877,880	367,334,270
NON GO BOND FUNDING SOURCES						
General Funds	18,222,590	21,271,430	24,109,480	24,503,180	22,312,390	10,026,790
MHI Fund - HUD Loan	69,770	67,730	65,630	63,480	61,280	59,030
Water Quality Protection Bonds	3,210,000	3,209,500	7,626,000	7,621,000	12,838,750	12,840,250
MHI - Property Acquisition Fund	5,643,610	7,509,320	7,508,500	7,512,500	7,512,410	7,514,040
Mass Transit Fund	4,570,460	5,339,620	5,339,620	5,339,420	5,339,820	1,537,620
Recreation Fund	2,323,020	1,834,050	1,834,300	1,836,050	1,834,050	1,834,450
Fire Tax District Fund	4,747,690	4,736,730	4,697,730	4,679,330	4,671,930	4,344,700
TOTAL NON GO BOND FUNDING SOURCES	38,787,140	43,968,380	51,181,260	51,554,960	54,570,630	38,156,880
TOTAL FUNDING SOURCES	307,715,420	330,359,300	365,793,050	385,011,600	405,448,510	405,491,150
Estimated Bond Sales	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000
Council SAG Approved Bond Funded Expenditures	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000
ESTIMATED INTEREST RATE	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

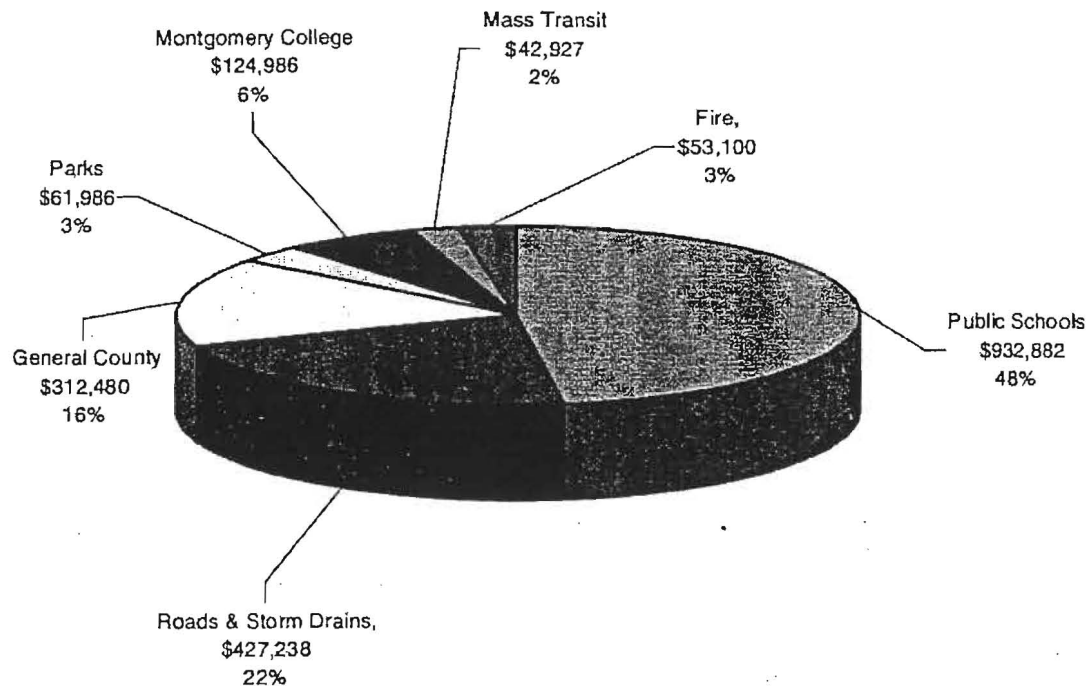
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**Projected Debt Obligations
Schedule of Principal & Interest
FY13 Recommended Budget**

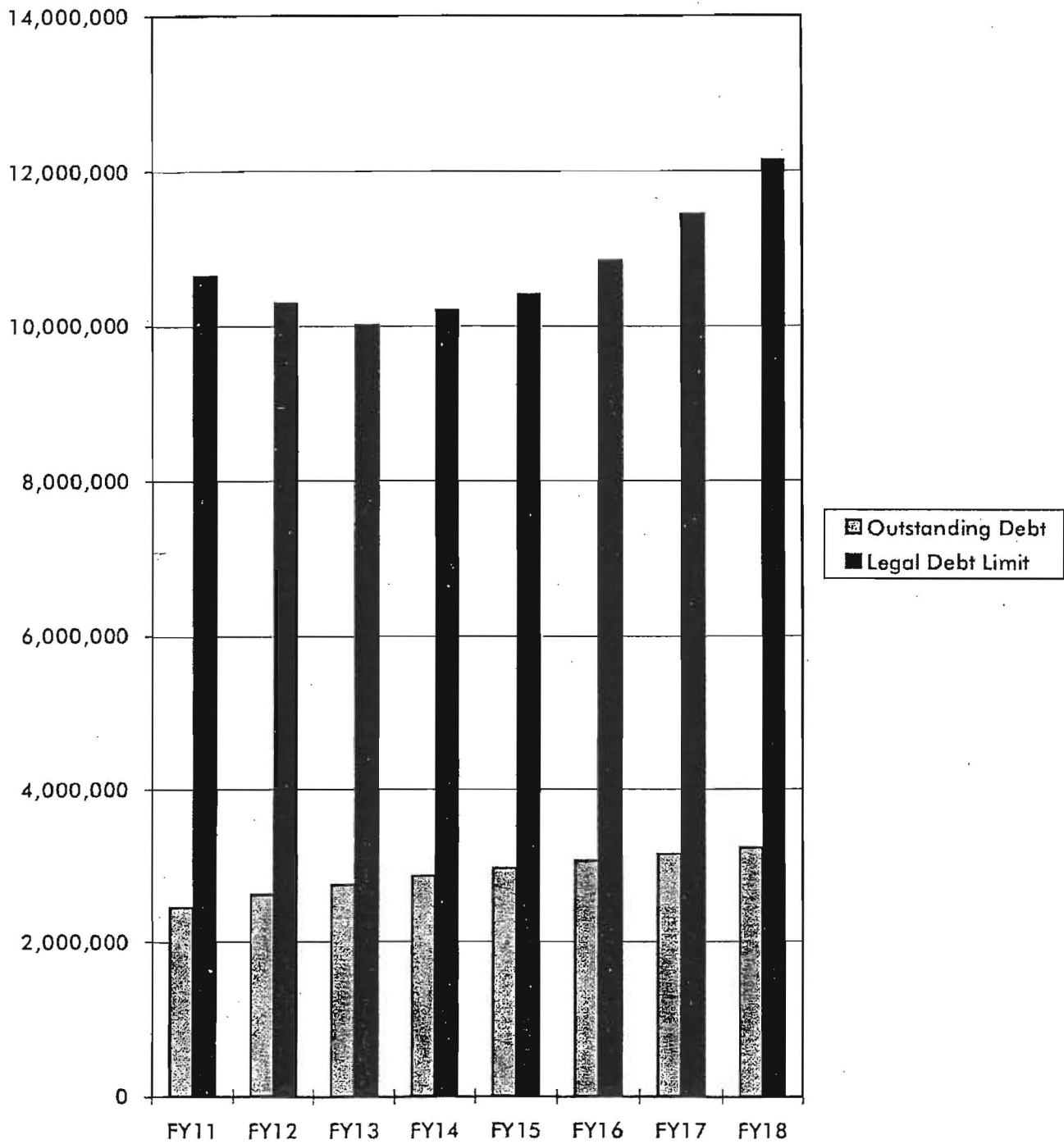
FUND	Principal	Interest	Total
Debt Service Fund	187,454,484	120,191,166	307,645,650
Liquor Control (Section 65)	2,790,000	5,290,920	8,080,920
Montgomery Housing Initiative	43,000	26,770	69,770
Bethesda Parking Lot District (Section 46)	2,085,000	1,194,010	3,279,010
Solid Waste Services (Section 63)	2,685,000	134,250	2,819,250
Total	195,057,484	126,837,116	321,894,600

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

Total \$1,955,600 as of June 30, 2011



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



DEBT CAPACITY ANALYSIS**FY13-18 Capital Improvements Program****COUNTY EXECUTIVE RECOMMENDED****MARCH 15, 2012****GO BOND 6 YR TOTAL = 1,770.0 MILLION****GO BOND FY13 TOTAL = 295.0 MILLION****GO BOND FY14 TOTAL = 295.0 MILLION**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1 GO Bond Guidelines (\$000)	320,000	295,000	295,000	295,000	295,000	295,000	295,000
2 GO Debt/Assessed Value	1.56%	1.70%	1.74%	1.77%	1.75%	1.71%	1.64%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	10.10%	10.15%	10.62%	11.18%	11.44%	11.54%	11.19%
4 \$ Debt/Capita	2,675	2,747	2,838	2,916	2,983	3,041	3,088
5 \$ Real Debt/Capita (FY12=100%)	2,675	2,675	2,685	2,683	2,674	2,655	2,626
6 Capita Debt/Capita Income	3.60%	3.60%	3.57%	3.52%	3.47%	3.45%	3.44%
7 Payout Ratio	68.22%	68.04%	68.09%	68.31%	68.62%	69.00%	69.36%
8 Total Debt Outstanding (\$000s)	2,618,335	2,743,300	2,859,470	2,965,555	3,062,085	3,149,810	3,228,555
9 Real Debt Outstanding (FY12=100%)	2,618,335	2,671,178	2,705,825	2,728,449	2,744,531	2,750,276	2,744,920
10 Note: OP/PSP Growth Assumption (2)		3.5%	2.5%	3.7%	3.3%	2.9%	2.9%

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 FY12 approved budget to FY13 budget for FY13 and budget to budget for FY14-18.

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GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY13-18 Capital Improvements Program

March 15, 2012

(\$ millions)	6 YEARS	FY13	FY14	FY15	FY16	FY17	FY18
BONDS PLANNED FOR ISSUE	1,770.000	295.000	295.000	295.000	295.000	295.000	295.000
Plus PAYGO Funded	177.000	29.500	29.500	29.500	29.500	29.500	29.500
Slippage Adjustment	-	-	-	-	-	-	-
Adjust for Implementation **	361.825	63.314	63.314	61.384	59.636	57.933	56.244
Adjust for Future Inflation **	(84.145)	-	-	(8.992)	(17.137)	(25.072)	(32.944)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,224.680	387.814	387.814	376.892	366.999	357.361	347.800
Less Set Aside: Future Projects	184.226	9.381	14.506	19.835	30.068	50.233	60.203
	8.28%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	2,040.454	378.433	373.308	357.057	336.931	307.128	287.597
MCPS	(748.689)	(176.331)	(150.288)	(96.844)	(130.775)	(104.559)	(89.892)
MONTGOMERY COLLEGE	(156.179)	(31.976)	(27.661)	(27.254)	(32.930)	(25.140)	(11.218)
M-NCPPC PARKS	(77.879)	(7.479)	(11.404)	(12.615)	(14.789)	(18.362)	(13.230)
TRANSPORTATION	(481.951)	(70.695)	(82.636)	(67.528)	(67.774)	(99.106)	(94.212)
MCG - OTHER	(701.688)	(198.052)	(116.974)	(155.655)	(91.176)	(60.463)	(79.366)
Programming Adjustment - Unspent Prior Years*	125.930	106.100	15.655	2.839	0.513	0.502	0.321
SUBTOTAL PROGRAMMED EXPENDITURES	(2,040.454)	(378.433)	(373.308)	(357.057)	(336.931)	(307.128)	(287.597)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		2.70%	2.90%	2.85%	2.65%	2.65%	2.70%
Implementation Rate =		82.33%	82.33%	82.33%	82.33%	82.33%	82.33%