AGENDA ITEM #2A
September 15, 2009
Introduction

MEMORANDUM

September 11, 2009

TO: County Council

GO

FROM: Glenn Orlin, Deputy Council Staff Director

SUBJECT: **Introduction**—Spending Affordability Guidelines for the FY11 Capital Budget and FY11-16 Capital Improvements Program

Council staff polled the Management and Fiscal Policy (MFP) Committee members as to what guidelines and targets to advertise. For G.O. Bonds, the recommendations range between $315-325 million/year (i.e., Scenarios #2-4, below). *For Park and Planning Bonds, Council staff recommends advertising a range of $5-8 million annually for FY11, $5-6 million for FY12, and $30-38 million for FYs11-16.*

* * *

I. Establishment of guidelines

Section 305 of the Charter requires the Council to set spending affordability guidelines for the capital budget each year, and requires the Council to establish by law the process and criteria. Subsequent law requires the Council to set the guidelines for capital budgets by resolution biennially, and no later than the first Tuesday in October in odd-numbered years: October 6 in 2009. As the title of the law indicates, the guidelines are related to how much the Council believes the County can afford, not how much might be needed. The law is on ©1-3.

Until now the guidelines have applied to County General Obligation Bonds and bonds issued by the Maryland-National Capital Park and Planning Commission (M-NCPPC) only; there are no limits on capital expenditures which are funded by other sources (except for the Washington Suburban Sanitary Commission, for which there is a separate spending affordability process). Roughly 52.6% of the $3.74 billion Approved FY09-14 Capital Improvements Program (CIP) as amended (excluding WSSC) is financed by County General Obligation Bonds and about 0.7% is financed by bonds issued by M-NCPPC.

The guidelines adopted on or before October 6 are to specify:

1) The total general obligation debt issued by the County that may be planned for expenditure in FY11
2) The total general obligation debt issued by the County that may be planned for expenditure in FY12.
3) The total general obligation debt issued by the County that may be planned for the 6-year period of FY11-16.
4) The Park and Planning bond debt issued by M-NCPPC to finance local park acquisition and development (County bonds are used for the regional parks) that may be planned for expenditure in FY11.
5) The Park and Planning bond debt issued by M-NCPPC that may be planned for expenditure in FY12.
6) The Park and Planning bond debt issued by M-NCPPC that may be planned for the 6-year period of FY11-16.

II. Amending the resolution which set the guidelines

No later than the first Tuesday in February (February 2 in 2010) the law permits the Council to increase or decrease the guidelines "to reflect a significant change in conditions." A majority of the Council is needed to approve a change in the guidelines. The change in conditions would relate to an increase or decrease in the County's ability to afford the debt, not to an increase or decrease in need. The law places no limit on the amount of decrease permitted to any guideline or to the amount of increase for the 6-year guidelines. The law limits any increase to the first-year and second-year guidelines to 10% of the amounts which were set in October. For example, if the first-year (FY11) guideline for general obligation debt were $320 million, then this guideline could be increased to no more than $352.0 million ($32.0 million more) in February 2010.

In the second year of a biennial CIP cycle, the second-year guideline cannot be raised by more than 10% of that established in the prior year. For example, if the Council were now to establish the FY12 guideline at $320 million, the most it could raise it to in February 2010 is $352.0 million, and if it did so, the most it could raise it to in February 2011 is $387.2 million ($35.2 million more). In the second year the law again places no limit on the amount of decrease permitted to any guideline or to the amount of increase for the 6-year guidelines.

The capital budget must be approved by June 1. Note that only a majority is needed to set the guidelines in October or to change the guidelines in February, but 7 affirmative votes are required to exceed the guidelines when the budget is approved in May.

III. Calendar

The law requires the Council to hold a public hearing before adopting guidelines. The schedule over the next month is shown below:

- Tuesday, September 15 — Council sets draft guidelines for the public hearing
- Tuesday, September 22 — Council holds the public hearing
- Tuesday, September 29 — MFP Committee meets to develop recommendations
- Tuesday, October 6 — Deadline for Council action

IV. Determining affordability, General Obligation bonds

The law suggests that the Council should consider a number of economic and financial factors, which are either part of the monthly briefing on economic indicators (which the MFP Committee developed) or will be considered in the discussion below on debt affordability indicators. The 6-year bond ceilings for general obligation debt since the FY99-04 CIP are shown below, as well as the percentage change from the prior year:

FY99-04	$714.0 million
FY99-04 amended	$743.0 million (+4.1%)
FY01-06	$798.0 million (+7.4%)
FY01-06 amended	$826.0 million (+3.5%)
FY03-08	$880.4 million (+6.6%)
FY03-08 amended	$895.2 million (+1.7%)
FY05-10	$1,140.0 million (+27.3%)
FY05-10 amended	$1,218.0 million (+6.8%)
FY07-12	$1,458.0 million (+19.7%)
FY07-12 amended	$1,650.0 million (+13.2%)
FY09-14	$1,800.0 million (+9.1%)
FY09-14 amended	$1,840.0 million (+2.2%)

To assist in determining debt capacity—how much debt the County can afford—the Council relies in part on the debt capacity analysis charts that show the value of various indicators of debt affordability at various levels of debt over the next 6 years. The indicators are:

1. Total debt should not exceed 1.5% of full market value of taxable real property.
2. Debt service (defined as expenditures plus long- and short-term leases) shouldn't exceed 10% of the General Fund operating budget.
3. 60-75% of the debt at the beginning of any period should be paid off within ten years.
4. The ratio of debt to income should not exceed 3.5%.
5. Real debt per capita should not exceed $1,800 in FY08 dollars by a "significant" amount. (Reflecting inflation, we should now use an indicator of $1,900 in FY10 dollars.)

The calculation of these indicators depends not just on the amount of projected debt, but also on projections of assessed value, growth in the operating budget, population, and personal income. The chart on ©4 displays last year's projections versus the most recent forecasts. The interest rates on bonds are assumed to be about 0.5% lower, and the FY11 Operating Budget growth rate is only expected to be half as high: 1.5% versus 2.9%. The population, inflation, assessable base, and personal income forecasts are unchanged.

At the request of Council staff, OMB has produced four scenarios reflecting different potential County bond guidelines and targets. (The bond 'targets' are the amounts for the third, fourth, fifth, and sixth years of the CIP. While the law would allow any of the targets to be exceeded, the Council's practice at CIP Reconciliation is to try to bring planned expenditures under or at the targets as well as the guidelines.) The 6-year totals for these scenarios (see below) range from a low of $1,770 million to a high of $1,950 million. Debt capacity analyses for these scenarios are on ©5-8.

Spending Affordability Scenarios ($ millions)

Scenario	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	6-yr Total	Increase (%)
Existing	300	310	315	325	290	300	-	-	1,840	-
#1 (©5)	-	-	295	295	295	295	295	295	1,770	-70 (-3.8%)
#2 (©6)	-	-	315	315	315	315	315	315	1,890	+50 (2.7%)
#3 (©7)	-	-	320	320	320	320	320	320	1,920	+80 (4.3%)
#4 (©8)	-	-	325	325	325	325	325	325	1,950	+110 (6.0%)

How each scenario meets the five debt indicators is shown below. The table notes the number of years within the CIP period the indicators would be met (maximum total score=30):

	#1	#2	#3	#4
FY11 Guideline ($ millions)	295	285	300	310
FY12 Guideline ($ millions)	295	315	320	325
FY11-16 Guideline ($ millions)	1,770	1,890	1,920	1,950
Debt Indicators				
Number of years that total debt is not greater than 1.5% of the market value of taxable real property	6	6	6	6
Number if years that debt service (plus leases) is not greater than 10% of the General Fund budget	6	2	2	2
Number of years that real debt/capita doesn't exceed $1,000 (in FY91 dollars) by a "significant" amount ($1,900 in FY10 dollars)	0	0	0	0
Number of years that payout ratio (percentage of debt to be paid out in 10 years) is 60-75%	6	6	6	6
Number of years that debt/income ratio doesn't exceed 3.5%	6	6	6	6
Total Score	**24**	**20**	**20**	**20**

Because of the slow projected growth in Operating Budget revenue, the bond levels would have to be reduced to $295 million annually—a reduction of the six-year bond total by $70 million (3.8%)—to keep debt service from exceeding 10% of Operating Budget revenue in any of the years. However, during the major economic downturn in the early 1990s this indicator regularly exceeded 10%; in setting the bond limits the Council used 11% as the de facto threshold instead. All of the scenarios above produce ratios well below 11%.

Overall, the results of this evaluation of the debt indicators should not be surprising. Within this range of scenarios there is very little difference in the results for the indicators, since most debt service (the numerator in most of the indicators) is paid from previous issues.

V. Determining affordability, Park and Planning bonds

The guidelines and targets adopted for the FY09-14 CIP and for the FY09-14 CIP as amended were $5.0 million in FY09 and in FY10 and $5.0 million annually in FYs11-14, with a six-year guideline of $30.0 million. The six-year planned expenditures for Park and Planning bonds for the past several CIPs (and the percentage change from the prior year) are shown below:

FY99-04	$16.60 million
FY99-04 amended	$16.60 million (no change)
FY01-06	$17.20 million (+3.6%)
FY01-06 amended	$17.45 million (+1.5%)
FY03-08	$18.00 million (+3.2%)
FY03-08 amended	$18.00 million (no change)
FY05-10	$22.60 million (+25.6%)
FY05-10 amended	$22.60 million (no change)
FY07-12	$23.50 million (+4.0%)
FY07-12 amended	$23.50 million (no change)
FY09-14	$30.00 million (+27.7%)
FY09-14 amended	$30.00 million (no change)

Park and Planning staff note that, because of the State's reduction in Program Open Space aid, M-NCPPC would need to raise the Park and Planning Bond limit to $8 million in FY11 to take up the slack. They also suggest raising the FY12 guideline to $6 million, and the six-year total to $38 million (i.e., $8 million in FY11 and $6 million annually in FYs12-16), a 26.7% increase.

f:\orlin\fy10\fy10cipgen\sag\090915cc.doc

MAR 2 8 REC'D

c. In any agreement by the county relating to revenue bonds; and

(2) Compel the performance of all duties required by:

a. This article; or

b. A resolution authorizing revenue bonds; or

c. Any agreement by the county relating to revenue bonds, in accordance with law. (1986 L.M.C., ch. 52, § 1.)

Sec. 20-54. Credit of county not pledged.

(a) Revenue bonds are not indebtedness of the county within the meaning of the Charter and do not constitute a pledge of the full faith and credit of the county.

(b) All revenue bonds must contain a statement on their face to the effect that the full faith and credit of the county is not pledged to pay their principal, interest, or premium, if any. (1986 L.M.C., ch. 52, § 1.)

ARTICLE X. SPENDING AFFORDABILITY—CAPITAL BUDGETS*

Sec. 20-55. Definitions.

In this Article, the following terms have the meanings indicated:

(a) *"Aggregate capital budget"* means all capital budgets approved by the County Council.

(b) *"Capital improvements program"* means the comprehensive 6-year program for capital improvements submitted by the County Executive to the County Council under Section 302 of the Charter.

(c) *"Council"* means the County Council sitting as a spending affordability committee under Section 305 of the Charter. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

***Editor's note**—See County Attorney Opinion dated 10/30/91-A describing the additions to Charter § 305 by Question F as not conflicting with the TRIM amendment.

Prior to its repeal and reenactment by CY 1991 L.M.C., ch. 29, Art. X was entitled "Spending Affordability;" consisted of §§ 20-55—20-59, and was derived from CY 1991 L.M.C., ch. 1, § 1.

Sec. 20-56. Establishment of Guidelines.

(a) *General.* The Council must adopt spending affordability guidelines for the aggregate capital budget under this Article.

(b) *Content.* The guidelines for the aggregate capital budget must specify the:

(1) total general obligation debt issued by the County that may be planned for expenditure in the first fiscal year under the capital improvements program;

(2) total general obligation debt issued by the County that may be planned for expenditure in the second fiscal year under the capital improvements program;

(3) total general obligation debt issued by the County that may be approved under the 6-year capital improvements program;

(4) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the first fiscal year under the capital improvements program for projects in the County;

(5) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the second fiscal year under the capital improvements program for projects in the County; and

(6) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission for projects in the County that may be approved under the 6-year capital improvements program.

(c) *Procedures.*

(1) The Council must adopt spending affordability guidelines for the aggregate capital budget, by resolution, not later than the first Tuesday in October in each odd-numbered calendar year.

(2) The council must hold a public hearing before it adopts guidelines under paragraph (1).

(3) The Council may delegate responsibility for monitoring relevant affordability indicators to its standing committee with jurisdiction over spending affordability matters.

(4) Not later than the first Tuesday in February of each year, the Council may, subject to paragraph (5), amend the resolution establishing the guidelines to reflect a significant change in conditions. An amendment may alter a guideline by either an upward or downward adjustment in dollar amount.

(5) Any upward adjustment of a dollar amount under paragraph (4) for a guideline required by subsection (b)(1), (b)(2), (b)(4), or (b)(5) must not exceed 10%. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-57. Affordability Indicators.

In adopting its guidelines, the Council should consider, among other relevant factors:

(a) the growth and stability of the local economy and tax base;

(b) criteria used by major rating agencies related to creditworthiness, including maintenance of a "AAA" general obligation bond rating;

(c) County financial history;

(d) fund balances;

(e) bonded debt as a percentage of the full value of taxable real property;

(f) debt service as a percentage of operating expenditures;

(g) the effects of proposed borrowing on levels of debt per-capita, and the ability of County residents to support such debt as measured by per-capita debt as a percentage of per-capita income;

(h) the rate of repayment of debt principal;

(i) availability of State funds for County capital projects;

(j) potential operation and maintenance costs relating to debt financed projects; and

(k) the size of the total debt outstanding at the end of each fiscal year. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-58. Approval of Capital Budgets.

Any aggregate capital budget that exceeds the spending affordability guidelines in effect after the first Tuesday in February requires the affirmative vote of 7 councilmembers for approval. (CY 1991 L.M.C., ch. 29, § 2.)

DEBT CAPACITY ANALYSIS
KEY ASSUMPTIONS AND INPUTS
AMENDED FY09-14 CIP(March, 2009) VS. FY11-16 CIP (September, 2009)

		Prior Year FY09	Current Year FY10	Year 1 FY 11	Year 2 FY 12	Year 3 FY 13	Year 4 FY 14	Year 5 FY 15	Year 6 FY 16
1	INTEREST RATE ON BONDS								
	FY09-14 CIP - March, 2009	7.10%	5.50%	5.80%	5.50%	5.50%	5.50%		
	FY11-16 CIP - September, 2009			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
2	OPERATING GROWTH								
	FY09-14 CIP - March, 2009	4.60%	0.50%	2.90%	4.30%	4.10%	4.40%		
	FY11-16 CIP - September, 2009			1.50%	4.60%	4.00%	4.40%	4.60%	4.60%
3	POPULATION								
	FY09-14 CIP - March, 2009	957,760	966,000	977,522	989,181	1,000,979	1,012,919		
	FY11-16 CIP - September, 2009			977,552	989,181	1,000,979	1,012,919	1,025,000	1,037,225
4	FY CPI INFLATION								
	FY09-14 CIP - March, 2009	4.10%	3.25%	2.80%	2.50%	2.50%	2.50%		
	FY11-16 CIP - September, 2009			2.80%	2.50%	2.50%	2.50%	2.50%	2.50%
5	ASSESSABLE BASE-COUNTYWIDE								
	FY09-14 CIP($000) - March, 2009	162,649,000	173,813,000	186,249,000	192,233,000	195,984,000	201,073,000		
	FY11-16 CIP($000) - September, 2009			186,249,000	192,233,000	195,984,000	201,073,000	209,134,000	217,518,000
6	TOTAL PERSONAL INCOME								
	FY09-14 CIP($000) - March, 2009	67,100,000	69,500,000	73,700,000	78,000,000	81,900,000	85,700,000		
	FY11-16 CIP($000) - September, 2009			73,700,000	78,000,000	81,900,000	85,700,000	89,500,000	93,000,000

(4)

SCENARIO #1

DEBT CAPACITY ANALYSIS

FY11-16 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS SEPTEMBER 8, 2009
Scenario - Debt Issues @ $295mn/year
6 Yr. Total ($Mn.) $1,770.0 mn
FY11 Total ($Mn.) $295.0 mn
FY12 Total ($Mn.) $295.0 mn

	GUIDELINE	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1. New GO Debt Issued ($000s) (Scenarios)		310,000	295,000	295,000	295,000	295,000	295,000	295,000
FYs 09-14 Approved Issues ($000)		310,000	315,000	325,000	290,000	300,000		
2. GO Debt/Assessed Value	1.5%	1.24%	1.30%	1.33%	1.37%	1.39%	1.39%	1.38%
3. Debt Service + LTL + Short-Term Leases/Revenues	**10%**	**8.75%**	**9.48%**	**9.64%**	**9.94%**	**10.00%**	**9.99%**	**10.00%**
4. $ Debt/Capita		2,239	2,468	2,580	2,677	2,763	2,837	2,899
5. $ Real Debt/Capita	~~$1,800~~ $1,900	2,239	2,401	2,448	2,479	2,496	2,500	2,493
6. Capita Debt/Capita Income	3.5%	3.11%	3.27%	3.27%	3.27%	3.27%	3.25%	3.23%
7. Payout Ratio	60% - 75%	69.56%	68.68%	68.28%	68.11%	68.17%	68.40%	68.70%
8. Total Debt Outstanding ($000s)		2,163,274	2,412,635	2,551,955	2,679,625	2,798,660	2,907,940	3,007,265
9. Real Debt Outstanding ($000)		2,163,274	2,346,921	2,421,899	2,481,037	2,528,049	2,562,695	2,585,588
10. OP/PSP Growth Assumption			**1.5%**	**4.6%**	**4.0%**	**4.4%**	**4.6%**	**4.6%**

(5)

(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 FY10 approved budget to FY11 budget for FY11 and budget to budget for FY12-16.

DEBT SERVICE IMPACT	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Assumed Issue Size ($000)	310,000	295,000	295,000	295,000	295,000	295,000	295,000
GO Bond Debt Service ($000)	223,059	241,509	256,513	281,914	298,352	314,054	331,252
Percentage change in debt service	**8.89%**	**8.27%**	**6.21%**	**9.90%**	**5.83%**	**5.26%**	**5.48%**

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Approved GO bond debt issuance		310,000	315,000	325,000	290,000	300,000	300,000	300,000
Assumed GO bond debt issuance		310,000	295,000	295,000	295,000	295,000	295,000	295,000
Increase/(Decrease) in GO bond debt issuance	**(60,000)**	**0**	**(20,000)**	**(30,000)**	**5,000**	**(5,000)**	**(5,000)**	**(5,000)**

SCENARIO #2

DEBT CAPACITY ANALYSIS

FY11-16 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS SEPTEMBER 8, 2009
Scenario - Debt Issues @ $315mn/year
6 Yr. Total ($Mn.) $1,890.0 mn
FY11 Total ($Mn.) $315.0 mn
FY12 Total ($Mn.) $315.0 mn

	GUIDELINE	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1. New GO Debt Issued ($000s) (Scenarios)		310,000	315,000	315,000	315,000	315,000	315,000	315,000
FYs 09-14 Approved Issues ($000)		310,000	315,000	325,000	290,000	300,000		
2. GO Debt/Assessed Value	1.5%	1.24%	1.31%	1.35%	1.40%	1.43%	1.43%	1.43%
3. Debt Service + LTL + Short-Term Leases/Revenues	**10%**	**8.75%**	**9.50%**	**9.73%**	**10.08%**	**10.20%**	**10.23%**	**10.29%**
4. $ Debt/Capita		2,239	2,489	2,619	2,734	2,836	2,925	3,001
5. $ Real Debt/Capita	~~$1,800~~ $1,900	2,239	2,421	2,486	2,531	2,562	2,578	2,580
6. Capita Debt/Capita Income	3.5%	3.11%	3.30%	3.32%	3.34%	3.35%	3.35%	3.35%
7. Payout Ratio	60% - 75%	69.56%	68.68%	68.28%	68.11%	68.17%	68.40%	68.70%
8. Total Debt Outstanding ($000s)		2,163,274	2,432,635	2,590,955	2,736,625	2,872,660	2,997,940	3,112,265
9. Real Debt Outstanding ($000)		2,163,274	2,366,376	2,458,911	2,533,812	2,594,893	2,642,009	2,675,865
10. OP/PSP Growth Assumption			**1.5%**	**4.6%**	**4.0%**	**4.4%**	**4.6%**	**4.6%**

(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 FY10 approved budget to FY11 budget for FY11 and budget to budget for FY12-16.

DEBT SERVICE IMPACT	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Assumed Issue Size ($000)	310,000	315,000	315,000	315,000	315,000	315,000	315,000
GO Bond Debt Service ($000)	223,059	242,009	259,013	286,364	304,702	322,254	341,252
Percentage change in debt service	**8.89%**	**8.50%**	**7.03%**	**10.56%**	**6.40%**	**5.76%**	**5.90%**

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		310,000	315,000	325,000	290,000	300,000	300,000	300,000
Assumed GO bond debt issuance		310,000	315,000	315,000	315,000	315,000	315,000	315,000
Increase/(Decrease) in GO bond debt issuance	**60,000**	**0**	**0**	**(10,000)**	**25,000**	**15,000**	**15,000**	**15,000**

9

SCENARIO #3

DEBT CAPACITY ANALYSIS

FY11-16 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS SEPTEMBER 8, 2009
Scenario - Debt Issues @ $320mn/year
6 Yr. Total ($Mn.) $1,920.0 mn
FY11 Total ($Mn.) $320.0 mn
FY12 Total ($Mn.) $320.0 mn

	GUIDELINE	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1. New GO Debt Issued ($000s) (Scenarios)		310,000	320,000	320,000	320,000	320,000	320,000	320,000
FYs 09-14 Approved Issues ($000)		310,000	315,000	325,000	290,000	300,000		
2. GO Debt/Assessed Value	1.5%	1.24%	1.31%	1.35%	1.40%	1.44%	1.44%	1.44%
3. Debt Service + LTL + Short-Term Leases/Revenues	10%	**8.75%**	**9.50%**	**9.75%**	**10.12%**	**10.25%**	**10.29%**	**10.36%**
4. $ Debt/Capita		2,239	2,494	2,629	2,748	2,854	2,947	3,026
5. $ Real Debt/Capita	~~$1,800~~ $1,900	2,239	2,426	2,495	2,545	2,578	2,597	2,602
6. Capita Debt/Capita Income	3.5%	3.11%	3.31%	3.33%	3.36%	3.37%	3.37%	3.37%
7. Payout Ratio	60% - 75%	69.56%	68.63%	68.20%	68.01%	68.06%	68.29%	68.59%
8. Total Debt Outstanding ($000s)		2,163,274	2,437,635	2,600,705	2,750,875	2,891,160	3,020,440	3,138,515
9. Real Debt Outstanding ($000)		2,163,274	2,371,240	2,468,165	2,547,006	2,611,605	2,661,838	2,698,434
10. OP/PSP Growth Assumption			**1.5%**	**4.6%**	**4.0%**	**4.4%**	**4.6%**	**4.6%**

(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 FY10 approved budget to FY11 budget for FY11 and budget to budget for FY12-16.

DEBT SERVICE IMPACT	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Assumed Issue Size ($000)	310,000	320,000	320,000	320,000	320,000	320,000	320,000
GO Bond Debt Service ($000)	223,059	242,134	259,638	287,477	306,289	324,304	343,752
Percentage change in debt service	**8.89%**	**8.55%**	**7.23%**	**10.72%**	**6.54%**	**5.88%**	**6.00%**

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		310,000	315,000	325,000	290,000	300,000	300,000	300,000
Assumed GO bond debt issuance		310,000	320,000	320,000	320,000	320,000	320,000	320,000
Increase/(Decrease) in GO bond debt issuance	**90,000**	**0**	**5,000**	**(5,000)**	**30,000**	**20,000**	**20,000**	**20,000**

7

SCENARIO #4

DEBT CAPACITY ANALYSIS

FY11-16 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS SEPTEMBER 8, 2009
Scenario - Debt Issues @ $325mn/year
6 Yr. Total ($Mn.) $1,950.0 mn
FY11 Total ($Mn.) $325.0 mn
FY12 Total ($Mn.) $325.0 mn

	GUIDELINE	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1. New GO Debt Issued ($000s) (Scenarios)		310,000	325,000	325,000	325,000	325,000	325,000	325,000
FYs 09-14 Approved Issues ($000)		310,000	315,000	325,000	290,000	300,000		
2. GO Debt/Assessed Value	1.5%	1.24%	1.31%	1.36%	1.41%	1.45%	1.46%	1.45%
3. Debt Service + LTL + Short-Term Leases/Revenues	10%	**8.75%**	**9.51%**	**9.77%**	**10.15%**	**10.30%**	**10.35%**	**10.43%**
4. $ Debt/Capita		2,239	2,499	2,639	2,762	2,873	2,969	3,051
5. $ Real Debt/Capita	~~$1,800~~ $1,900	2,239	2,431	2,505	2,558	2,595	2,616	2,623
6. Capita Debt/Capita Income	3.5%	3.11%	3.31%	3.35%	3.38%	3.40%	3.40%	3.40%
7. Payout Ratio	60% - 75%	69.56%	68.59%	68.12%	67.91%	67.95%	68.17%	68.47%
8. Total Debt Outstanding ($000s)		2,163,274	2,442,635	2,610,455	2,765,125	2,909,660	3,042,940	3,164,765
9. Real Debt Outstanding ($000)		2,163,274	2,376,104	2,477,418	2,560,200	2,628,316	2,681,667	2,721,003
10. OP/PSP Growth Assumption			**1.5%**	**4.6%**	**4.0%**	**4.4%**	**4.6%**	**4.6%**

8

(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 FY10 approved budget to FY11 budget for FY11 and budget to budget for FY12-16.

DEBT SERVICE IMPACT	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Assumed Issue Size ($000)	310,000	325,000	325,000	325,000	325,000	325,000	325,000
GO Bond Debt Service ($000)	223,059	242,259	260,263	288,589	307,877	326,354	346,252
Percentage change in debt service	**8.89%**	**8.61%**	**7.43%**	**10.88%**	**6.68%**	**6.00%**	**6.10%**

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		310,000	315,000	325,000	290,000	300,000	300,000	300,000
Assumed GO bond debt issuance		310,000	325,000	325,000	325,000	325,000	325,000	325,000
Increase/(Decrease) in GO bond debt issuance	**120,000**	**0**	**10,000**	**0**	**35,000**	**25,000**	**25,000**	**25,000**