

Action

MEMORANDUM

March 3, 2010

TO: County Council
CHS

FROM: Charles H. Sherer, Legislative Analyst

SUBJECT: Resolution to authorize the County to sign a conditional purchase agreement and to authorize the County to issue certificates of participation in an amount not to exceed \$23,000,000 to reimburse the General Fund for the costs of 77 Ride On buses

The Council approved the purchase of 77 Ride On buses in FY08 – FY09, which the County bought, financed by an advance from the General Fund. The intent at the time of purchase was, and still is, that the buses will be financed with short term financing. The attached resolution was prepared by the County's bond counsel and will approve the financing, using Certificates of Participation (COP)¹. The County intends to sell the COP this spring and will use the proceeds to reimburse the General Fund.

¹ Certificates of Participation (COP) are a type of municipal bond that are often used to finance capital improvement projects or equipment. The COP represent participation in lease payments made by the municipality for the project or equipment.

TRAN



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

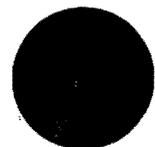
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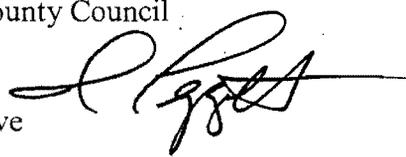
Isiah Leggett
County Executive

MEMORANDUM

February 1, 2010



TO: Nancy Floreen, President
Montgomery County Council

FROM: Isiah Leggett 
County Executive

SUBJECT: Authorizing Resolution for Short-Term Financing
\$23 Million Ride On Bus Fleet Replacement

2010 FEB -1 PM 3:33

MONTGOMERY COUNTY
COUNCIL

I am transmitting the attached resolution that will authorize the issuance of short-term debt to finance the acquisition of 64 Gillig buses. The Department of Finance has determined that issuing Certificates of Participation (COPs) is the most economic short-term financing vehicle to acquire these buses over a five-year period.

Pursuant to Project Description Form (PDF) #500821 – Ride On Bus Fleet, dated April 28, 2009, and subsequently reissued January 6, 2010 to modify the number of buses purchased in fiscal years 2011 through 2016, the County Council authorized the purchase of 77 Gillig diesel and hybrid full-size buses in fiscal years 2008 and 2009. A portion of the funding for these buses was determined to be short-term financing, in the amount of \$22,682,000.

The General Fund advanced money to purchase these buses; therefore, proceeds from the sale of the COPs will be reimbursed to the General Fund after the sale. The Department of Finance, working with its bond counsel and financial advisor on this project, determined that COPs are the most economic vehicle for funding this acquisition. At this time, it is anticipated that the COPs will be sold this spring.

I would appreciate it if you could arrange to have this authorizing resolution introduced and adopted as soon as practical. The County's bond counsel, McKennon, Shelton & Henn, drafted and approved the attached resolution. Please contact Jennifer Barrett at x78870, if you have any questions.

IL/gww

Attachments

Ride On Bus Fleet -- No. 500821

Category
Subcategory
Administering Agency
Planning Area

Transportation
Mass Transit
Transportation
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

January 07, 2009
No
None.
On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	78,725	0	12,742	65,983	17,395	6,650	5,780	7,678	6,086	22,394	0
Total	78,725	0	12,742	65,983	17,395	6,650	5,780	7,678	6,086	22,394	0

FUNDING SCHEDULE (\$000)

Contributions	Total	Thru FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Contributions	475	0	0	475	475	0	0	0	0	0	0
Federal Aid	14,601	0	0	14,601	3,343	2,858	2,100	2,100	2,100	2,100	0
Mass Transit Fund	24,527	0	0	24,527	897	1,052	940	2,838	1,246	17,554	0
Short-Term Financing	22,682	0	12,742	9,940	9,940	0	0	0	0	0	0
State Aid	16,440	0	0	16,440	2,740	2,740	2,740	2,740	2,740	2,740	0
Total	78,725	0	12,742	65,983	17,395	6,650	5,780	7,678	6,086	22,394	0

DESCRIPTION

This project provides for the purchase of replacement buses in the Ride On fleet in accordance with the Division of Transit Services' bus replacement plan.

COST CHANGE

Due to reduction of \$5 million in State Aid in FY09, revise plan as follows: delay purchase of 12 small gas buses; purchase four fewer Hybrid buses in FY09; purchase one additional Diesel bus in FY10.

JUSTIFICATION

The full-size transit buses have an expected useful life of twelve years. Smaller buses have an expected useful life of five to seven years.

The FY08-14 plan calls for the following:

FY08: 42 full-size diesel
 FY09: 35 full-size hybrid diesel/electric } *77 buses*
 FY10: 19 full-size diesel
 FY11: 18 full-size
 FY12: 22 full-size
 FY13: 17 full-size
 FY14: 52 full-size; 20 small

FISCAL NOTE

42 buses in FY08 and 20 buses in FY09 to be financed over five years with short-term financing
 Federal funding higher than budgeted due to receipt of additional grants
 State Aid estimates are based on FY09 grants
 Federal funds require a 20 percent County match
 Contributions of \$475K in FY09 from Traffic Mitigation Agreement

OTHER DISCLOSURES

- The Executive asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.
- * Expenditures will continue indefinitely.

APPROPRIATION AND EXPENDITURE DATA	COORDINATION Department of General Services	MAP
Date First Appropriation	FY09	
First Cost Estimate	FY10	
Current Scope	78,725	
Last FY's Cost Estimate	92,301	
Appropriation Request	FY10	
Supplemental Appropriation Request	0	
Transfer	0	
Cumulative Appropriation	32,125	
Expenditures / Encumbrances	31,091	
Unencumbered Balance	1,034	
Partial Closeout Thru	FY07	
New Partial Closeout	FY08	
Total Partial Closeout	0	

Resolution No: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By County Council

SUBJECT: Conditional purchase agreement – certificates of participation – Ride On buses

Background

1. In the Capital Improvements Program project titled “Ride On Bus Fleet”, number 500821, (the “Equipment”) the Montgomery County Council approved the purchase of 77 Ride On Buses in FY08 – FY09, which the County bought, financed by an advance from the General Fund. The intent at the time of purchase was, and still is, that the buses will be financed with short term financing.
2. The County has a need for the Equipment to provide improved and continued public services for the citizens of the County.
3. The Director of Finance of the County determined that the most cost-effective method of short term financing is a conditional purchase agreement (“Conditional Purchase Agreement”) with a financial institution and the sale of certificates of participation in the payment of purchase installments under the Conditional Purchase Agreement.
4. The proceeds from the sale of the certificates of participation will be used to reimburse the General Fund, to pay the costs of issuance, and as deemed appropriate by the County Executive or Chief Administrative Officer to pay a portion of the debt service on the certificates of participation.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

Section 1. The Council approves the execution and delivery by the County Executive or the Chief Administrative Officer of the Conditional Purchase Agreement in an amount not to exceed \$23,000,000, the sale of the certificates of participation in the purchase installments payable under the Conditional Purchase Agreement, and the execution and delivery by any other officers, officials, employees or agents of the County of all other related documents

necessary to consummate the transactions contemplated therein. The Conditional Purchase Agreement may be executed and delivered in order to provide funds sufficient to finance all or a portion of the costs of the Equipment.

Section 2. The County's obligation to make payments under the Conditional Purchase Agreement must be subject to annual appropriation by the County Council. The Conditional Purchase Agreement is not debt of the County under the Constitution and Laws of Maryland, the Montgomery County Code, or the Public Local Laws of Montgomery County, Maryland or for any other purpose. The Conditional Purchase Agreement will not be a general obligation of the County and does not constitute debt of the County within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing powers of the County.

Section 3. The County may cause to be sold the certificates of participation representing proportional interests in the purchase installments payable under the Conditional Purchase Agreement. The certificates of participation may be sold at public, competitive sale or in such other manner permitted by law and determined by the County Executive or Chief Administrative Officer to be in the best interests of the County. The proceeds of the sale of the certificates of participation in the purchase installments, including any premium paid for such certificates, and including investment earnings, will be used to reimburse the General Fund for the amount advanced for the 77 Ride On buses, to pay the costs of issuance of the certificates of participation, and as deemed appropriate by the County Executive or Chief Administrative Officer to pay a portion of the debt service on the certificates of participation all as may be further specified and provided in the Conditional Purchase Agreement and other related documents necessary to consummate the transactions approved in this Resolution.

Section 4. The Conditional Purchase Agreement and the certificates of participation must be in such form as the County Executive or the Chief Administrative Officer approve. The execution and delivery of the Conditional Purchase Agreement and the certificates of participation constitute conclusive evidence of such approval.

Section 5. This Resolution takes effect upon its adoption.

This is a correct copy of Council action:

Linda M. Lauer
Clerk of the Council