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# 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 approved FY16 Operating Budget for Debt Service is \$358,999,085 an increase of \$10,089,685 or 2.9 percent from the FY15 approved budget of \$348,909,400. This amount includes long-term lease expenditures of \$6,627,680, short-term financing of \$24,316,140 and other long-term debt of \$11,235,965. The budget excludes \$63,480 in debt service, which is appropriated in a non-tax supported fund.

### **FY16 Approved Changes**

The Debt Service appropriation increase of 2.9 percent is primarily due to additional financing needs for General Obligation (G.O.) Bonds and short-term leases.

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 47.1 percent of the County's capital expenditures for the six years of the Amended FY15-20 CIP. Other long-term debt includes financing for the Silver Spring Music Venue, Site II Acquisition, Affordable Housing (MHI Property Acquisition), Stormwater Management (Water Quality Protection Bonds), and Energy Performance Contracting (Qualified Energy Conservation Bonds).

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 financings, 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.

The FY16 Debt Service budget is predicated on the bond issue requirements in the Amended CIP, adjusted for inflation, and implementation of the capital program at a projected 86.5 percent rate for FY15 and 94.6 percent for FY16-FY20. An interest cost of 5.5 percent was budgeted for the Fall 2015 issue. Projected interest rates for bond issues for FY16 through FY21 are based on market expectations for coupon rates, which drive actual debt service costs. Under these projections and assumptions, total Debt Service will increase from \$359.0 million in FY16 to \$472.1 million by FY21.

## 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 FY14	Budget FY15	Estimated FY15	Approved FY16	% Chg Bud/App
<b>DEBT SERVICE</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	278,027,403	311,115,210	309,198,700	316,819,300	1.8%
Debt Service Other	21,479,124	27,578,980	24,422,450	31,963,425	15.9%
Capital Outlay	0	0	0	0	—
<b>Debt Service Expenditures</b>	<b>299,506,527</b>	<b>338,694,190</b>	<b>333,621,150</b>	<b>348,782,725</b>	<b>3.0%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
<b>REVENUES</b>					
Federal Grants	5,808,511	5,928,730	5,928,730	5,853,000	-1.3%
Investment Income	95,589	0	0	0	—
Miscellaneous Revenues	334,924	0	2,341,570	0	—
Premium on General Obligation Bonds	3,088,117	0	5,236,781	11,488,440	—
<b>Debt Service Revenues</b>	<b>9,327,141</b>	<b>5,928,730</b>	<b>13,507,081</b>	<b>17,341,440</b>	<b>192.5%</b>
<b>DEBT SERVICE - NON-TAX SUPPORTED</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	0	0	0	0	—
Debt Service Other	7,965,964	10,215,210	10,215,210	10,216,360	0.0%
Capital Outlay	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Expenditures</b>	<b>7,965,964</b>	<b>10,215,210</b>	<b>10,215,210</b>	<b>10,216,360</b>	<b>0.0%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>307,472,491</b>	<b>348,909,400</b>	<b>343,836,360</b>	<b>358,999,085</b>	<b>2.9%</b>
<b>Total Full-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total Part-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total FTEs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>—</b>
<b>Total Revenues</b>	<b>9,327,141</b>	<b>5,928,730</b>	<b>13,507,081</b>	<b>17,341,440</b>	<b>192.5%</b>

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

	Actual FY13	Actual FY14	Budget FY15	Estimated FY15	Approved FY16	% Chg Bud/App	App % GO Bonds
<b>GO BOND DEBT SERVICE EXPENDITURES</b>							
General County	31,544,095	42,875,231	47,398,490	46,988,590	51,742,730		16.6%
Roads & Storm Drains	60,350,215	59,990,819	68,437,830	67,503,620	62,163,950		19.9%
Public Housing	-	13,562	65,640	65,630	258,810		0.1%
Parks	9,192,758	9,119,493	9,906,220	9,717,030	8,339,930		2.7%
Public Schools	121,987,885	122,363,519	133,221,530	133,368,500	135,717,510		43.5%
Montgomery College	14,902,744	15,391,009	17,841,820	18,058,120	21,904,420		7.0%
Bond Anticipation Notes/Commercial Paper	753,371	428,377	1,000,000	500,000	1,200,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,719,343	2,574,642	3,000,000	2,600,000	2,500,000		
Cost of Issuance	623,713	661,347	1,000,000	1,000,000	1,183,000		
<b>Total General Fund</b>	<b>242,074,124</b>	<b>253,417,999</b>	<b>281,871,530</b>	<b>279,801,490</b>	<b>285,010,350</b>	<b>1.1%</b>	<b>89.8%</b>
Fire Tax District Fund	6,886,445	7,078,100	8,438,020	8,212,910	7,238,360		2.3%
Mass Transit Fund	6,235,302	8,637,569	11,046,940	11,837,290	17,248,520		5.5%
Recreation Fund	9,270,330	8,893,735	9,758,720	9,347,010	7,322,070		2.3%
Bradley Noise Abatement Fund	23,549	-	-	-	-		0.0%
Cabin John Noise Abatement Fund	7,000	-	-	-	-		0.0%
<b>Total Tax Supported Other Funds</b>	<b>22,422,626</b>	<b>24,609,404</b>	<b>29,243,680</b>	<b>29,397,210</b>	<b>31,808,950</b>	<b>8.8%</b>	<b>10.2%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>264,496,750</b>	<b>278,027,403</b>	<b>311,115,210</b>	<b>309,198,700</b>	<b>316,819,300</b>	<b>1.8%</b>	<b>100.0%</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>264,496,750</b>	<b>278,027,403</b>	<b>311,115,210</b>	<b>309,198,700</b>	<b>316,819,300</b>	<b>1.8%</b>	<b>100.0%</b>
<b>LONG-TERM LEASE EXPENDITURES</b>							
Revenue Authority - Conference Center	309,649	645,334	981,140	981,140	985,040		
Revenue Authority - HHS Piccard Drive	636,870	638,689	638,580	391,100	394,400		
Silver Spring Garages	5,070,347	-	-	-	-		
Revenue Authority - Recreation Pools	2,323,016	1,834,050	1,834,300	1,522,160	1,525,040		
Fire and Rescue Equipment	4,418,126	3,780,600	3,741,600	3,741,600	3,723,200		
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>12,758,008</b>	<b>6,898,673</b>	<b>7,195,620</b>	<b>6,636,000</b>	<b>6,627,680</b>	<b>-7.9%</b>	
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>							
Technology Modernization Project	5,659,962	5,659,962	6,780,200	5,660,200	7,310,200		
Libraries System Modernization	-	-	98,000	-	128,500		
Ride On Buses	3,801,617	3,802,000	6,675,950	6,628,000	8,396,640		
Public Safety System Modernization	4,373,540	4,373,540	5,223,600	4,373,600	6,990,600		
Fire and Rescue Apparatus	-	-	-	-	1,010,200		
Fuel Management System	-	-	480,000	-	480,000		
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>13,835,119</b>	<b>13,835,502</b>	<b>19,257,750</b>	<b>16,661,800</b>	<b>24,316,140</b>	<b>26.3%</b>	
<b>OTHER LONG-TERM DEBT</b>							
Silver Spring Music Venue - Tax supported	293,155	293,955	295,610	294,650	295,105		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000		
Qualified Energy Conservation Bond - Tax supported	-	50,994	430,000	430,000	324,500		
MHI-HUD Loan - Non-Tax supported	69,769	67,729	65,630	65,640	63,480		
Water Quality Protection Charge Bonds - Non-Tax supported	2,122,601	3,016,160	3,019,200	3,019,200	3,020,250		
MHI - Property Acquisition Fund - Non-Tax supported	4,406,574	4,949,804	7,196,010	7,196,010	7,196,110		
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>7,292,099</b>	<b>8,778,642</b>	<b>11,406,450</b>	<b>11,405,500</b>	<b>11,299,445</b>	<b>-0.9%</b>	
<b>DEBT SERVICE EXPENDITURES</b>							
Tax Supported	291,783,032	299,506,527	338,694,190	333,621,150	348,782,725		
Non-Tax Supported - Other Long-term Debt	6,598,944	8,033,693	10,280,840	10,280,850	10,279,840		
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>298,381,976</b>	<b>307,540,220</b>	<b>348,975,030</b>	<b>343,902,000</b>	<b>359,062,565</b>	<b>2.9%</b>	
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>							
General Funds	235,481,958	244,144,296	276,092,800	268,785,979	267,814,910		
Other Interest: Installment Notes, Interest & Penalties	1,284,836	334,924	-	-	-		
BAN/Commercial Paper Investment Income	114	95,589	-	-	-		
Federal Subsidy on General Obligation Bonds	6,111,775	5,808,511	5,778,730	5,778,730	5,707,000		
Premium on General Obligation Bonds	-	3,088,117	-	5,236,781	11,488,440		
<b>Total General Fund Sources</b>	<b>242,878,683</b>	<b>253,471,437</b>	<b>281,871,530</b>	<b>279,801,490</b>	<b>285,010,350</b>		
Fire Tax District Funds	6,799,377	7,781,477	8,438,020	8,212,910	7,238,360		
Mass Transit Fund	5,805,704	8,175,611	11,046,940	11,837,290	17,248,520		
Recreation Fund	8,982,438	8,598,881	9,758,720	9,347,010	7,322,070		
Bradley Noise Abatement Fund	23,549	-	-	-	-		
Cabin John Noise Abatement Fund	7,000	-	-	-	-		
<b>Total Other Funding Sources</b>	<b>21,618,068</b>	<b>24,555,969</b>	<b>29,243,680</b>	<b>29,397,210</b>	<b>31,808,950</b>		
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>264,496,751</b>	<b>278,027,406</b>	<b>311,115,210</b>	<b>309,198,700</b>	<b>316,819,300</b>		
<b>NON GO BOND FUNDING SOURCES</b>							
General Funds	16,743,522	12,062,471	14,697,130	12,380,690	16,682,345		
MHI Fund - HUD Loan	69,769	67,729	65,630	65,640	63,480		
Water Quality Protection Fund	2,122,601	3,016,160	3,019,200	3,019,200	3,020,250		
MHI - Property Acquisition Fund	4,406,574	4,949,804	7,196,010	7,196,010	7,196,110		
Federal Subsidy - Qualified Energy Conservation Bond	-	-	150,000	150,000	146,000		
Mass Transit Fund	3,801,617	3,802,000	6,675,950	6,628,000	8,396,640		
Recreation Fund	2,323,016	1,834,050	1,834,300	1,522,160	1,525,040		
Fire Tax District Fund	4,418,126	3,780,600	4,221,600	1,400,030	5,213,400		
Fire 2007 Certificates of Participation Closeout	-	-	-	2,341,570	-		
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>33,885,225</b>	<b>29,512,814</b>	<b>37,859,820</b>	<b>34,703,300</b>	<b>42,243,265</b>		
<b>TOTAL FUNDING SOURCES</b>	<b>298,381,976</b>	<b>307,540,220</b>	<b>348,975,030</b>	<b>343,902,000</b>	<b>359,062,565</b>		
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>							
Actual and Estimated Bond Sales	320,000,000	295,000,000	324,500,000	500,000,000	324,500,000		
Council SAG Approved Bond Funded Expenditures	325,000,000	295,000,000	324,500,000	299,500,000	340,000,000		

<b>DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG &amp; SHORT TERM LEASES AND OTHER DEBT</b>						
	Approved FY16	Projected FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21
<b>GO BOND DEBT SERVICE EXPENDITURES</b>						
General County	51,742,730	59,685,670	60,985,210	63,629,620	64,702,630	65,287,820
Roads & Storm Drains	62,163,950	69,846,600	73,936,690	77,839,490	86,121,860	95,298,420
Public Housing	258,810	761,430	741,130	720,830	700,530	680,240
Parks	8,339,930	9,306,760	10,481,310	11,236,360	11,905,240	12,431,190
Public Schools	135,717,510	154,283,500	160,432,830	167,677,650	172,603,830	175,873,100
Montgomery College	21,904,420	23,834,180	26,107,850	27,156,620	27,953,030	29,653,840
Bond Anticipation Notes/Commercial Paper	1,200,000	2,550,000	3,400,000	4,350,000	5,300,000	6,200,000
Bond Anticipation Notes/Liquidity & Remarketing	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Cost of Issuance	1,183,000	1,053,100	1,080,200	1,111,300	1,146,400	1,184,500
<b>Total General Fund</b>	<b>285,010,350</b>	<b>323,821,240</b>	<b>339,665,220</b>	<b>356,221,870</b>	<b>372,933,520</b>	<b>389,109,110</b>
Fire Tax District Fund	7,238,360	8,268,120	9,340,690	10,949,960	13,320,710	14,616,370
Mass Transit Fund	17,248,520	18,924,070	20,703,400	22,694,090	23,095,670	23,582,310
Recreation Fund	7,322,070	7,548,940	7,758,780	7,649,120	7,357,290	7,319,230
<b>Total Tax Supported Other Funds</b>	<b>31,808,950</b>	<b>34,741,130</b>	<b>37,802,870</b>	<b>41,293,170</b>	<b>43,773,670</b>	<b>45,517,910</b>
<b>TOTAL TAX SUPPORTED</b>	<b>316,819,300</b>	<b>358,562,370</b>	<b>377,468,090</b>	<b>397,515,040</b>	<b>416,707,190</b>	<b>434,627,020</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>						
	316,819,300	358,562,370	377,468,090	397,515,040	416,707,190	434,627,020
<b>LONG-TERM LEASE EXPENDITURES</b>						
Revenue Authority - Conference Center	985,040	988,540	986,640	989,440	991,850	987,710
Revenue Authority - HHS Piccard Drive	394,400	395,800	-	-	-	-
Revenue Authority - Recreation Pools	1,525,040	1,524,500	1,526,360	1,525,700	-	-
Fire and Rescue Equipment	3,723,200	3,715,800	3,717,900	-	-	-
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>6,627,680</b>	<b>6,624,640</b>	<b>6,230,900</b>	<b>2,515,140</b>	<b>991,850</b>	<b>987,710</b>
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>						
Technology Modernization Project	7,310,200	9,110,200	5,479,000	4,464,500	3,450,000	3,100,000
Libraries System Modernization	128,500	128,500	128,500	128,500	128,500	-
Ride On Buses	8,396,640	9,138,890	5,337,690	5,337,690	5,337,690	5,337,690
Public Safety System Modernization	6,990,600	6,302,800	4,330,000	4,330,000	4,330,000	2,563,000
Fire and Rescue Apparatus	1,010,200	1,667,500	2,361,200	2,994,100	3,505,000	3,930,000
Fuel Management System	480,000	960,000	960,000	960,000	960,000	480,000
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>24,316,140</b>	<b>27,307,890</b>	<b>18,596,390</b>	<b>18,214,790</b>	<b>17,711,190</b>	<b>15,410,690</b>
<b>OTHER LONG-TERM DEBT</b>						
Silver Spring Music Venue - Tax supported	295,105	290,500	290,800	291,000	291,000	294,100
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000	400,000
Qualified Energy Conservation Bond - Tax supported	324,500	325,500	326,500	327,000	321,500	321,800
MHI-HUD Loan - Non-Tax supported	63,480	61,280	59,020	56,750	54,400	52,050
Water Quality Protection Charge Bonds - Non-Tax supported	3,020,250	7,432,400	7,430,100	12,646,200	12,839,650	12,844,000
MHI - Property Acquisition Fund - Non-Tax supported	7,196,110	7,200,310	7,208,010	7,201,510	7,205,600	7,200,460
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>11,299,445</b>	<b>15,709,990</b>	<b>15,714,430</b>	<b>20,922,460</b>	<b>21,112,150</b>	<b>21,112,410</b>
<b>DEBT SERVICE EXPENDITURES</b>						
Tax Supported	348,782,725	393,510,900	403,312,680	419,262,970	436,422,730	452,041,320
Non-Tax Supported - Other Long-term Debt	10,279,840	14,693,990	14,697,130	19,904,460	20,099,650	20,096,510
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>359,062,565</b>	<b>408,204,890</b>	<b>418,009,810</b>	<b>439,167,430</b>	<b>456,522,380</b>	<b>472,137,830</b>
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>						
General Funds	267,814,910	318,371,240	334,315,220	351,151,870	368,063,520	384,439,110
Federal Subsidy on General Obligation Bonds	5,707,000	5,450,000	5,350,000	5,070,000	4,870,000	4,670,000
Premium on General Obligation Bonds	11,488,440	-	-	-	-	-
<b>Total General Fund Sources</b>	<b>285,010,350</b>	<b>323,821,240</b>	<b>339,665,220</b>	<b>356,221,870</b>	<b>372,933,520</b>	<b>389,109,110</b>
Fire Tax District Fund	7,238,360	8,268,120	9,340,690	10,949,960	13,320,710	14,616,370
Mass Transit Fund	17,248,520	18,924,070	20,703,400	22,694,090	23,095,670	23,582,310
Recreation Fund	7,322,070	7,548,940	7,758,780	7,649,120	7,357,290	7,319,230
<b>Total Other Funding Sources</b>	<b>31,808,950</b>	<b>34,741,130</b>	<b>37,802,870</b>	<b>41,293,170</b>	<b>43,773,670</b>	<b>45,517,910</b>
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>316,819,300</b>	<b>358,562,370</b>	<b>377,468,090</b>	<b>397,515,040</b>	<b>416,707,190</b>	<b>434,627,020</b>
<b>NON GO BOND FUNDING SOURCES</b>						
General Funds	16,682,345	17,800,840	11,805,440	10,798,840	9,787,350	7,544,610
MHI Fund - HUD Loan	63,480	61,280	59,020	56,750	54,400	52,050
Water Quality Protection Fund	3,020,250	7,432,400	7,430,100	12,646,200	12,839,650	12,844,000
MHI - Property Acquisition Fund	7,196,110	7,200,310	7,208,010	7,201,510	7,205,600	7,200,460
Federal Subsidy - Qualified Energy Conservation Bond	146,000	141,000	136,000	131,600	125,500	122,000
Mass Transit Fund	8,396,640	9,138,890	5,337,690	5,337,690	5,337,690	5,337,690
Recreation Fund	1,525,040	1,524,500	1,526,360	1,525,700	-	-
Fire Tax District Fund	5,213,400	6,343,300	7,039,100	3,954,100	4,465,000	4,410,000
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>42,243,265</b>	<b>49,642,520</b>	<b>40,541,720</b>	<b>41,652,390</b>	<b>39,815,190</b>	<b>37,510,810</b>
<b>TOTAL FUNDING SOURCES</b>	<b>359,062,565</b>	<b>408,204,890</b>	<b>418,009,810</b>	<b>439,167,430</b>	<b>456,522,380</b>	<b>472,137,830</b>
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>						
Estimated Bond Sales	324,500,000	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000
Council SAG Approved Bond Funded Expenditures	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000
<b>ESTIMATED INTEREST RATE</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>