



Fiscal Policy

DEFINITION AND PURPOSE OF FISCAL POLICY

Fiscal policy is the combined practices of government with respect to revenues, expenditures, and debt management. Fiscal policy for the Capital Improvements Program (CIP) focuses on the acquisition, construction, and renovation of public facilities and on the funding of such activities, with special attention to both long-term borrowing, and increasingly, short-term debt.

The purposes of the CIP fiscal policy are:

- to encourage careful and timely decisions on the relative priority of programs and projects;
- to encourage cost effectiveness in the type, design, and construction of capital improvements;
- to ensure that the County may borrow readily for essential public improvements; and
- to keep the cost of debt service and other impacts of capital projects at levels affordable in the operating budget.

The County Charter (Article 3, Sections 302 and 303) provides that the County Executive shall submit to the Council, not later than January 15 of each even-numbered calendar year, a comprehensive six-year program for capital improvements. This biennial Capital Improvements Program takes effect for the six-year period which begins in each odd-numbered fiscal year. The Charter provides that the County Executive shall submit a Capital Budget to the Council, not later than January 15 of each year.

The County Executive must also submit to the Council, not later than March 15 of each year, a proposed operating budget, along with comprehensive six-year programs for public services and fiscal policy. The Public Services Program (PSP)/Operating Budget and Capital Improvements Program (CIP)/Capital Budget constitute major elements in the County's fiscal planning for the next six years. Fiscal policies for the PSP and CIP are parts of a single consistent County fiscal policy.

In November 1990, the County's voters approved an amendment to Section 305 of the Charter to require that the Council annually adopt spending affordability guidelines for the capital and operating budgets. Spending affordability guidelines for the CIP are interpreted in subsequent County law to be limits on the amount of general obligation debt and Park and Planning debt that may be approved for expenditure for the first year and the second year of the CIP, and for the entire six years of the CIP. Spending affordability guidelines are adopted in odd-numbered calendar years. Since 1994, the Council, in conjunction with the Prince George's County Council, adopted one-year spending limits for WSSC. These spending control limits include guidelines for new debt and annual debt service.

CURRENT CIP FISCAL POLICIES

The fiscal policies followed by the County Executive and County Council are relatively stable, but not static. They evolve in response to changes in the local economy, revenues and funding tools available, and requirements for public services. Also, policies are not absolute; policies may conflict and must be balanced in their application. Presented here are the CIP fiscal policies currently in use by the County Executive.

Policy on Eligibility for Inclusion in the CIP

Capital expenditures included as projects in the CIP should:

- Have a reasonably long useful life, or add to the physical infrastructure and capital assets of the County, or enhance the productive capacity of County services. Examples are roads, utilities, buildings, and parks. Such projects are normally eligible for

debt financing.

- Generally have a defined beginning and end, as differentiated from ongoing programs in the PSP.
- Be related to current or potential infrastructure projects. Examples include facility planning or major studies. Generally, such projects are funded with current revenues.
- Be carefully planned to enable decision makers to evaluate the project based on complete and accurate information. In order to permit projects to proceed to enter the CIP once satisfactory planning is complete, a portion of "programmable expenditures" (as used in the Bond Adjustment Chart) is deliberately left available for future needs.

Policy on Funding CIP with Debt

Much of the CIP should be funded with debt. Capital projects usually have a long useful life and will serve future taxpayers as well as current taxpayers. It would be inequitable and an unreasonable fiscal burden to make current taxpayers pay for many projects out of current tax revenues. Bond issues, retired over approximately 20 years, are both necessary and equitable.

Projects deemed to be debt eligible should:

- Have an approximate useful life at least as long as the debt issue with which they are funded.
- Not be able to be funded entirely from other potential revenue sources, such as intergovernmental aid or private contributions.
- Special Note: With a trend towards more public/private partnerships, especially regarding projects aimed at the revitalization or redevelopment of the County's central business districts, there are more instances when public monies leverage private funds. These instances, however, generally bring with them the "private activity" or private benefit (to the County's partners) that make it necessary for the County to use current revenue or taxable debt as its funding source. It is County fiscal policy that when financing in public-private partnership situations, that tax-exempt debt will be issued only for those improvements that meet the IRS requirements for the use of tax-exempt bond proceeds.

Policy on General Obligation Debt Limits

General obligation debt usually takes the form of bond issues, and pledges general tax revenue for repayment. Paying principal and interest on general obligation debt is the first claim on County revenues. By virtue of prudent financial management and the long-term strength of the local economy, Montgomery County has maintained the highest quality rating of its general obligation bonds, AAA. This top rating by Wall Street rating agencies, assures Montgomery County of a ready market for its bonds and the lowest available interest rates on that debt.

Debt Capacity

To maintain the AAA rating, the County uses the following guidelines in deciding how much additional County general obligation debt may be issued in the six-year CIP period:

Overall Debt as a Percentage of Assessed Valuation - This ratio measures debt levels against the property tax base, which generates the tax revenues that are the main source of debt repayment. Total debt, both existing and proposed, should be kept at about 1.5 percent of full market value (substantially the same as assessed value) of taxable real property in the County.

Debt Service as a Percentage of the General Fund - This ratio reflects the County's budgetary flexibility to adapt spending levels and respond to economic condition changes. Required annual debt service expenditures should be kept at about ten percent of the County's total General Fund. The General Fund excludes other special revenue tax supported funds. If those special funds supported by all County taxpayers were to be included, the ratio would be below ten percent.

Overall Debt per Capita - This ratio measures the burden of debt placed on the population supporting the debt and is widely used as a measure of an issuers' ability to repay debt. Total debt outstanding and annual amounts issued, when adjusted for inflation, should not cause real debt per capita (i.e., after eliminating the effects of inflation) to rise significantly.

Ten-year Payout Ratio - This ratio reflects the amortization of the County's outstanding debt. A faster payout is considered a positive

credit attribute. The rate of repayment of bond principal should be kept at existing high levels and in the 60-75 percent range during any ten-year period.

Per Capita Debt to Per Capita Income - This ratio reflects a community's economic strength as an indicator of income levels relative to debt. Total debt outstanding and annual amounts proposed should not cause the ratio of per capita debt to per capita income to rise significantly above about 3.5 percent.

These ratios will be calculated and reported each year in conjunction with the spending affordability and capital budget process, the annual financial audit, and as needed for fiscal analysis.

Policy on Terms for General Obligation Bond Issues

Bonds are normally issued in a 20-year series, with five percent of the series retired each year. This practice produces equal annual payments of principal over the life of the bond issue, which means declining annual payments of interest on the outstanding bonds, positively affecting the pay-out ratio. Thus annual debt service on each bond issue is higher at the beginning and lower at the end. When bond market conditions warrant, or when a specific project would have a shorter useful life, then different repayment terms may be used.

Policy on Other Forms of General Obligation Debt

The County may issue other forms of debt as appropriate and authorized by law. From time to time, the County issues Commercial Paper/Bond Anticipation Notes (BANs) for interim financing to take advantage of favorable interest rates within rules established by the Internal Revenue Service.

Policy on Use of Revenue Bonds

Revenue bonds are secured by the pledge of particular revenues to their repayment in contrast to general obligation debt, which pledges general tax revenues. The revenues pledged may be those of a Special Revenue fund, or they may be derived from the funds or revenues received from or in connection with a project. Amounts of revenue debt to be issued should be limited to ensure that debt service coverage ratios shall be sufficient to ensure ratings at least equal to or higher than ratings on outstanding parity debt. Such coverage ratios shall be maintained during the life of any bonds secured by that revenue stream.

Policy on Use of Appropriation-Backed Debt

Various forms of appropriation-backed debt may be used to fund capital improvements, facilities, or equipment issued directly by the County or using the Montgomery County Revenue Authority or another entity as a conduit issuer. Under such an arrangement, the County enters into a long-term lease with the conduit issuer and the County lease payments fund the debt service on the bonds. Appropriation-backed debt is useful in situations where a separate revenue stream is available to partially offset the lease payments, thereby differentiating the project from those typically funded with general obligation debt. Because these long-term leases constitute an obligation of the County similar to general debt, the value of the leases is included in debt capacity calculations.

Policy on Issuance of Taxable Debt

Issuance of taxable debt may be useful in situations where private activity or other considerations make tax-exempt debt disadvantageous or ineligible due to tax code requirements or other considerations. The cost of taxable debt will generally be higher because investors are not able to deduct interest earnings from taxable income. Taxable debt may be issued in instances where the additional cost of taxable debt, including legal, marketing, and other up-front costs and the interest cost over the life of the bonds, is outweighed by the advantages in relation to the financing objectives to be achieved.

Policy on Use of Interim Financing

Interim Financing may be used in exceptional circumstances where project expenditures are eligible for long term debt, but permanent

financing is delayed for specific reasons, other than affordability. Interim Financing should have an identified and reliable ultimate funding source, and should be repaid within the short term. An example for interim financing would be in a situation where an offsetting revenue will be available in the future to pay off a portion of the amounts borrowed, but the exact amounts and timing of the repayment are uncertain.

Policy on Use of Short Term Financing

Short term financing (terms of seven years or less) may be appropriate for certain types of equipment or system financings, where the term of the financing correlates to the useful life of the asset acquired, or in other cases where the expected useful life is long, but due to the nature of the system, upgrades are frequent and long term financing is not appropriate.

Policy on Use of Current Revenues

Use of current revenues to fund capital projects is desirable as it constitutes "pay-as-you-go" (PAYGO) financing and, when applied to debt-eligible projects, reduces the debt burden of the County. Decisions to use current revenue funding within the CIP have immediate impacts on resources available to annual operating budgets, and require recognition that certain costs of public facilities should be supported on a current basis rather than paid for over time.

Current revenues from the General Fund are used for designated projects which have broad public use and which fall outside any of the specialized funds. Current revenues from the Special and Enterprise Funds are used if the project is associated with the particular function for which these funds have been established.

The County has the following policies on the use of current revenues in the CIP:

- Current revenues must be used for any CIP projects not eligible for debt financing by virtue of limited useful life.
- Current revenues should be used for CIP projects consisting of limited renovations of facilities, for renovations of facilities which are not owned by the County, and for planning and feasibility studies.
- Current revenues may be used when the requirements for capital expenditures press the limits of bonding capacity.
- Except for excess revenues which must go to the Revenue Stabilization Fund, the County will, whenever possible, give highest priority for the use of one-time revenues from any source to the funding of capital assets or other nonrecurring expenditures so as not to incur ongoing expenditure obligations for which revenues may not be adequate in future years.

Policy on Use of Federal and State Grants and Other Contributions

Grants and other contributions should be sought and used to fund capital projects whenever they are available on terms that are to the County's long-term fiscal advantage. Such revenues should be used as current revenues for debt avoidance and not for debt service.

Policy on Minimum Allocation of PAYGO

PAYGO is current revenue set aside in the operating budget, but not appropriated, and is used to replace bonds for debt eligible expenditures. To reduce the impact of capital programs on future years, the County will fund a portion of its CIP on a pay-as-you-go basis. Pay-as-you-go funding will save money by eliminating interest expense on the funded projects. Pay-as-you-go capital appropriations improve financial flexibility in the event of sudden revenue shortfalls or emergency spending. It is the County's policy to allocate to the CIP each fiscal year as PAYGO at least ten percent of the amount of general obligation bonds planned for issue that year.

Policy on Operating Budget Impacts

In the development of capital projects, the County evaluates the impact of a project on the operating budget and displays such impacts on the project description form. The County shall not incur debt or otherwise construct or acquire a public facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility.

Policy on Taxing New Private Sector Development

As part of a fair and balanced tax system, new development of housing, commercial, office, and other structures should contribute directly toward the cost of the new and improved transportation and other facilities required to serve that development. To implement this policy, the County has established the following taxes:

Transportation Impact Tax The County Council established new rates and geographical boundaries for transportation impact taxes in November 2016 and enacted a White Flint impact tax district in 2010. These taxes are levied at rate schedules based on the classification of an area relative to transit service and accessibility. The "Red" policy areas replaced the prior Metro Station Policy Areas (MSPAs). "Orange" policy areas are corridor cities (but not MSPAs), town centers, and emerging transit-oriented development areas where transitways such as the Purple Line and Bus Rapid Transit lines are planned. "Yellow" policy areas are lower density residential neighborhoods with community-serving commercial areas; and "Green" policy areas are the Agricultural Reserve and other rural areas. In related action, the County Council adjusted impact tax rates to replace lost revenue from eliminated transportation mitigation payments. Transportation Impact Taxes are also assessed for projects within the boundaries of Rockville and Gaithersburg. These impact taxes can only be used for projects listed in a Council-approved Memorandum of Understanding with the individual municipalities.

Schools Impact Tax Most residential development in Montgomery County is subject to an impact tax for certain school facilities. The rates are the same Countywide but vary by housing type, commensurate with the average student generation rates of that type of residential development. In November, 2016, the County Council increased school impact tax rates to replace revenues lost when they eliminated School Facilities Payments and to account for land costs which had previously not been considered when calculating impact tax rates.

School Facilities Payment Prior to County Code changes approved in 2016, a school facilities payment was applied at subdivision review to residential development projects located in a school cluster where enrollment exceeds adopted standards. The school facilities payment was made on a per-student basis, based upon standard student generation rates of that type of residential development. While School Facility Payments will not provide additional future capital budget funding, payments collected prior to the change in the law are still programmed in several MCPS projects in the FY19-24 capital budget.

Development Approval Payment (DAP) In November 1993, the Council created an alternative voluntary review procedure for Metro station policy areas as well as limited residential development. The DAP permitted development projects to proceed in certain areas subject to development restrictions. Due to the voluntary nature of this payment, DAP revenue is an unpredictable funding source and is not programmed for specific transportation improvements until after the revenue has been collected. In October 2003, the County Council revised the Annual Growth Policy to replace the Development Approval Payment with an alternative payment mechanism based upon impact tax rates. While the DAP payments are no longer being collected, they are reported in some active projects based on past allocations.

Development Districts Legislation enacted in 1994 established a procedure by which the Council may create a development district. The creation of such a special taxing district allows the County to issue low-interest, tax-exempt bonds that are used to finance the infrastructure improvements needed to allow the development to proceed. Taxes or other assessments are levied on property within the district, the revenues from which are used to pay the debt service on the bonds. Development is, therefore, allowed to proceed, and improvements are built in a timely manner. Only the additional special tax revenues from the development district are pledged to repayment of the bonds. The County's general tax revenues are not pledged. The construction of improvements funded with development district bonds is required by law to follow the County's usual process for constructing capital improvements and, thus, must be included in the Capital Improvements Program.

Transportation Improvement (Loop-hole) Credits Under certain conditions, a developer may choose to pay a transportation improvement credit in lieu of funding or constructing transportation improvements required in order to obtain development approval. These funds are used to offset the cost of needed improvements in the area from which they are paid.

Systems Development Charge (SDC) This charge, enacted by the 1993 Maryland General Assembly, authorized Washington Suburban Sanitation Commission (WSSC) to assess charges based on the number and type of plumbing fixtures in new construction, effective July 19, 1993. SDC revenues may only be spent on new water and sewerage treatment, transmission, and collection facilities.

DETAILED DESCRIPTION OF CIP FUNDING SOURCES

Within each individual capital project, the funding sources for all expenditures are identified. There are three major types of funding for the Capital Improvements Program: current revenues (including PAYGO); proceeds from bonds and other debt instruments; and grants, contributions, reimbursements, or other funds from intergovernmental and other sources.

Current Revenues

Cash contributions used to support the CIP include: transfers from general revenues, special revenues, and enterprise funds; investment income on working capital or bond proceeds; recordation taxes; proceeds from the sale of surplus land; impact taxes, development approval payments, systems development charges, and the expedited development approval excise tax; and developer contributions. The source and application of each are discussed below.

Current Revenue Transfers. When this source is used for a capital project, cash is allocated to the capital project directly from the General, Special, or Enterprise Funds to finance direct payment of some or all of the costs of the project. The General Fund is the general operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges.

Use of current revenues is desirable as it constitutes "pay-as-you-go" financing and, when applied to debt-eligible projects, limits the increase in the debt burden of the County. Decisions to use current revenue funding within the CIP have immediate impacts on resources available to annual operating budgets, and require recognition that certain costs of public facilities should be supported on a current basis rather than paid for over time. Current revenues from the General Fund are used for designated projects which involve broad public use and which fall outside any of the specialized funds. Current revenues from the Special and Enterprise Funds are used if the project is associated with the particular function for which these funds have been established.

PAYGO is current revenue set aside in the operating budget, but not appropriated. PAYGO is used to replace bonds for debt-eligible expenditures. PAYGO is planned to be ten percent of general obligation bonds planned for issue.

Recordation Tax Starting in FY03, the County raised the recordation tax rate and earmarked revenues generated from the increase to the Montgomery County Public Schools (MCPS) capital budget and Montgomery College information technology projects. In 2008, the County enacted an additional rate premium with revenues generated from half of that premium allocated to Montgomery County Government capital projects. (The other half of the recordation tax premium is used for rental assistance in the operating budget.) Effective September 2016, the recordation tax was modified resulting in a lower tax rate for the General Fund, but a higher tax rate for MCPS CIP. At the same time, the Premium tax rate increased with 50 percent of the Premium revenues earmarked for the County Government CIP.

Proceeds from the Sale of Public Property. When the County sells surplus land or other real property, proceeds from the sales are deposited into the Land Sale account, and are then used to fund projects in the CIP. By law, 25 percent of the revenue from land sales must be directed to the Montgomery Housing Initiative (MHI) Fund to promote a broad range of housing opportunities in the County. Properties may be excluded from the 25 percent requirement if they are within an area designated as urban renewal or by a waiver from the County Executive. Generally, land sale proceeds are not programmed in the capital budget until they are received; however, in some instances where signed land sale agreements have been executed, future land sale proceeds may be programmed. Land sale proceeds can also be used to repay interim financing if that was assumed in approved projects.

Impact Taxes are specific charges to developers to help fund improvements to transportation and public school infrastructure. School impact taxes are charged one rate Countywide for each type of housing. There are various rates for the transportation impact tax based on the classification of an area relative to transit service and accessibility as previously described.

All new development (residential or commercial) within the designated areas is subject to payment of applicable impact taxes as a

condition to receiving building permits. The tax rates are set by law to be calculated at the time a developer pays the tax. This payment would occur by the earlier of two dates - either at the time of final inspection or within six or twelve months after the building permit was issued depending on the type of development.

Since revenues to be obtained from impact taxes may not be paid for a number of years, other funding is sometimes required for funding project construction, predicated on eventual repayment from impact taxes.

Contributions are amounts provided to the County by interested parties such as real estate developers in order to support particular capital projects. Contributions are sometimes made as a way of solving a problem which is delaying development approval. A project such as a road widening or connecting road that specifically supports a particular new development may be fully funded (and sometimes built) by the developer. Other projects may have agreed-upon cost-sharing arrangements predicated on the relationship between public and private benefit that will exist as a result of the project. For stormwater management projects, developer contributions are assessed in the form of fees in lieu of on-site construction of required facilities. These fees are applied to the construction of stormwater facilities within the County.

Bond Issues and Other Public Agency Debt

The County government and four of its Agencies are authorized by State law and/or County Charter to issue debt to finance CIP projects. This debt may be either general obligation or self-supporting debt. General obligation debt is characterized in credit analyses as being either "direct" or "overlapping." Direct debt is the sum of total bonded debt and any unfunded debt (such as short-term notes) of the government, and constitutes the direct obligations of the County government which impact its taxpayers. Overlapping debt includes all other borrowing of County agencies or incorporated municipalities within the County's geographic limits, which may impact those County taxpayers who are residents of those municipalities or those County taxpayers who are ratepayers or users of public utilities. More broadly, overlapping debt can help reveal the degree to which the total economy is being asked to support long-term fixed commitments for government facilities.

Direct General Obligation Debt is incurred by the issuance of bonds by the County government and the Maryland-National Capital Park and Planning Commission (M-NCPPC). Payment of some bonded debt issued by the Washington Suburban Sanitary Commission (WSSC) and the Housing Opportunities Commission (HOC) is also guaranteed by the County government.

County government general obligation bonds are issued for a wide variety of functions such as transportation, public schools, community college, public safety, and other programs. These bonds are legally-binding general obligations of the County and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. The County Code provides for a maximum term of 30 years, with repayment in annual serial installments. Typically, County bond issues have been structured for repayment with level annual payments of principal. Bonds are commonly issued for 20 years. The money to repay general obligation debt comes primarily from general revenues, except that debt service on general obligation bonds, if any, issued for projects of Parking Districts, Liquor, or Solid Waste funds is supported from the revenues of those enterprises.

M-NCPPC is authorized to issue general obligation bonds, also known as Park and Planning bonds, for the acquisition and development of local and certain special parks and advance land acquisition, with debt limited to that supportable within mandatory tax rates established for the Commission. Issuance is infrequent, and because repayment is guaranteed by the County, it is considered a form of direct debt. Debt for regional, conservation, and special park facilities is included within County government general obligation bond issues, with debt service included within the County government's annual operating budget.

HOC bonds which support County housing initiatives such as the acquisition of low/moderate-income rental properties may be guaranteed by the County to an aggregate amount not to exceed \$50 million, when individually authorized by the County and, as such, are considered direct debt of the County. The HOC itself has no taxing authority, and its projects are considered to be financed through self-supporting debt as noted below.

Overlapping debt is the debt of other governmental entities in the County that is payable in whole or in part by taxpayers of the County.

WSSC General Construction Bonds finance small diameter water distribution and sewage collection lines and required support facilities. They are considered general obligation bonds because they are payable from unlimited *ad valorem* taxes upon all the assessable

property in the WSSC district. They are actually paid through assessments on properties being provided service and are considered to be overlapping debt rather than direct debt of the County government.

WSSC Water Supply and Sewage Disposal Bonds, which finance major system improvements, including large diameter water distribution and sewage collection lines, are paid from non-tax sources including user charges collected through water and sewer rates, which also cover all system operating costs. They are backed by unlimited *ad valorem* taxes upon all the assessable property within the WSSC district in addition to mandated rates, fees, and charges sufficient to cover debt service.

Self-Supporting Debt is authorized for the financing of CIP projects by the County government and its Agencies as follows:

County Revenue Bonds are bonds authorized by the County to finance specific projects such as parking garages and stormwater management and solid waste facilities, with debt service to be paid from pledged revenues received in connection with the projects. Proceeds from revenue bonds may be applied only to costs of projects for which they are authorized. They are considered separate from general obligation debt and do not constitute a pledge of the full faith and credit or unlimited taxing power of the County.

County revenue bonds have been used in the Bethesda and Silver Spring Parking Districts, supported by parking fees and fines together with parking district property taxes. County revenue bonds have also been issued for County Solid Waste Management facilities, supported with the revenues of the Solid Waste Disposal system.

HOC Mortgage Revenue Bonds are issued to support HOC project initiatives and are paid through mortgages and rents. HOC revenue bonds, including mortgage purchase bonds for single family housing, are considered fully self-supporting and do not add to either direct or overlapping debt of the County.

The Montgomery County Revenue Authority has authority to issue revenue bonds and to otherwise finance projects through notes and mortgages with land and improvements thereon serving as collateral. These are paid through revenues of the Authority's several enterprises, which include golf courses and the Montgomery County Airpark.

The County has also used the Revenue Authority as a conduit for alternative CIP funding arrangements. For example, swim centers, a building to house County and State Health and Human Services functions, and the construction of the Montgomery County Conference Center are financed through revenue bonds issued by the Revenue Authority. The County has entered into long-term leases with the Revenue Authority, and the County lease payments fund the debt service on these Revenue Authority bonds. Because these long-term leases constitute an obligation of the County similar to general debt, the value of the leases is included in debt capacity calculations.

Intergovernmental Revenues

CIP projects may be funded in whole or in part through grants, matching funds, or cost sharing agreements with the Federal government, the State of Maryland, regional bodies such as Washington Metropolitan Area Transit Authority (WMATA), or the County's incorporated municipalities.

Federal Aid. Major projects that involve Federal aid include Metro, commuter rail, interstate highway interchanges and bridges (noted within the CIP Transportation program), and various environmental construction or planning grants under WSSC projects in the Sanitation program. Most Federal aid is provided directly to the State, for redistribution to local jurisdictions.

Community Development Block Grant (CDBG). CDBG funds are a particular category of Federal aid received through annual formula allocations from the U.S. Department of Housing and Urban Development in response to a County application and are identified as CIP revenues in the Housing and Community Development program. The County has programmed eligible projects for CDBG funding since 1976, with expenditures programmed within both capital and operating budgets. CDBG funds are used to assist in the costs of neighborhood improvements and facilities in areas where there is significant building deterioration, economic disadvantage, or other need for public intervention in the cycles of urban growth and change. In addition, CDBG funding is used as "seed money" for innovative project initiatives, including redevelopment and rehabilitation loans toward preserving and enhancing older residential and commercial areas and low/moderate-income housing stock. Beginning in FY15, CDBG funds were shifted from the capital budget to the operating budget for ease of administration. Once CDBG-funded projects are closed out, CDBG funding will be eliminated from the capital budget funding sources.

State Aid. This funding source includes grants, matching funds, and reimbursements for eligible County expenditures for local projects in public safety, environmental protection, courts and criminal justice, transportation, libraries, parkland acquisition and development, mental health, community college, and K-12 public education, notably in school construction.

State Aid consistently falls short of funding needs predicated on State mandates or commitments. Although the State of Maryland is specifically responsible for the construction and maintenance of its numbered highways and for the construction and renovation of approved school projects, the County has in fact advance-funded projects in both categories either through cost-sharing agreements or in anticipation of at least partial reimbursements from the State. Because large County fiscal liabilities are taken on when assuming any or all project costs of State-mandated or obligated facilities, State reimbursement policies and formulas for allocation of funds are important to CIP fiscal planning.

State Aid for School Construction. State funding for school construction, initiated in FY72, is determined annually by the General Assembly on a Statewide basis.

State Aid for Higher Education. State Aid is also a source of formula matching funds for community college facilities design, construction, and renovation. Funds are applied for through the Higher Education Commission for inclusion in the State Bond Bill. Approved projects may get up to 50 percent State funding for eligible costs. The total amount of aid available for all projects Statewide is determined based on yearly allocations of available bond proceeds to all Maryland jurisdictions.

State Aid for Transportation. Within the Transportation program, State contributions fund the County's local share of WMATA capital costs for Metrorail and Metrobus, as well as traffic signals and projects related to interconnecting State and local roads. Most State road construction is done under the State Consolidated Transportation Program and is not reflected in the CIP.

State Aid for Public Safety. Under Article 27, Sec. 705 of the Maryland Code, when the County makes improvements to detention and correctional centers resulting from the adoption of mandatory or approved standards, the State, through the Board of Public Works, pays for 50 percent of eligible costs of approved construction or improvements. In addition, financial assistance may be requested from the State for building or maintenance of regional detention centers, and, under 1986 legislation, the State will fund up to half the eligible costs to construct, expand, or equip local jails in need of additional capacity.

Municipal Financing. Some projects with specific benefits to an incorporated municipality within the County may include funding contributions or other financing assistance from that jurisdiction. These include road construction agreements such as with the City of Rockville, wherein the County and City share costs of interconnecting or overlapping road projects. Incorporated towns and municipalities within the County, specifically Rockville, Gaithersburg, and Poolesville, have their own capital improvements programs and may participate in County projects where there is shared benefit. The use of municipal funding in County CIP projects depends upon the following:

- execution of cost-sharing or other agreements between the County and the municipality, committing each jurisdiction to specific terms, including responsibilities, scheduling, and cost-shares for implementation and future operation or maintenance of the project;
- approval of appropriations for the project by the legislative body of each jurisdiction; and
- resolution of any planning or zoning issues affecting the project.

Other Revenue Sources

The use of other revenue sources to fund CIP projects are normally conditioned upon specific legislative authority or project approval, including approval of appropriations for the projects. Approval of a project may be contingent upon actual receipt of the revenues planned to fund it, as in the case of anticipated private contributions that are not subject to particular law or agreement. Other CIP funding sources and eligibility of projects for their use include:

Revolving funds including the revolving loan fund authorized to cover HOC construction loans until permanent financing is obtained. Funds are advanced from County current revenues and repaid at interest rates equivalent to those the County earns on its investments. The Advance Land Acquisition Revolving Fund (ALARF) is used to acquire land in advance of project implementation. Revolving fund appropriations are then normally repaid from the actual project after necessary appropriation is approved.

Agricultural land transfer tax receipts payable to the State but authorized to be retained by the County. These are used to cover local shares in the State purchase of agricultural land easements and for County purchase of or loan guarantees backed by transferable development rights (TDRs).

Private grants such as were provided under profit-sharing agreements with the County's Cable TV corporation, for use in developing public access facilities; and

Insurance or self-insurance proceeds for projects being renovated or replaced as a result of damage covered by the County's self-insurance system.

THE FRAMEWORK OF FISCAL POLICY

This section presents information on a variety of information sources and factors that are considered in developing and applying fiscal policy for the CIP.

Legal Mandates

State Law. The Annotated Code of Maryland provides the basis for fiscal policy related to debt, real property assessments, and other matters:

- The Local Government Article authorizes borrowing of funds and issuance of bonds up to a maximum of the sum of six percent of the assessed valuation of all real property and 15 percent of the assessed valuation of all personal property within the County and provides that obligations having a maturity not in excess of twelve months shall not be subject to, or be included in, computing the County's legal debt limitation. However, the County includes its BANs/Commercial Paper in the calculation because it intends to repay the notes with the proceeds of long-term debt to be issued in the near future.
- The Local Government Article requires that each local government adopt a debt policy and submit it to the State Treasurer. In October 2009 the County Council for Montgomery County adopted resolution 16-1173 outlining the County's debt policy.
- Section 8-103 of the Tax - Property Article provides for updated assessments of property in three-year (triennial) cycles. The amount of the change in the established market value of the one-third of the properties reassessed each year is phased in over a three-year period (although a decrease in value is reflected in the first year of the triennial cycle). State law also created a maximum ten percent assessment limitation tax credit (homestead credit) for owner occupied residential properties. This program provides an automatic credit against property taxes equal to the applicable tax rate (including the State rate) times that portion of the current assessment which exceeds the previous year's assessment increased by ten percent. This benefit only applies to owner-occupied residential property. The homestead credit is ten percent for property taxes levied for the State of Maryland, Montgomery County, and all municipalities in Montgomery County (with the exception of the Town of Kensington which is five percent). Taxpayers have the ability to appeal their assessment through SDAT and the MD Tax Court which could lower the total assessable base and property tax revenues.
- Other provisions of State law mandate requirements for environmental review, permits, stormwater management, and controls for public facilities, such as solid waste disposal sites, affecting both the cost and scheduling of these facilities.
- State law mandates specific facility standards such as requirements for school classroom space to be provided by the County for its population and may also address funding allocations to support such requirements.
- State law provides for specific kinds of funding assistance for various CIP projects. In the area of public safety, for example, Article 27, Section 705 of the Maryland Code, provides for matching funds up to 50 percent of the cost of detention or correctional facilities.
- The Maryland Economic Growth Resource Protection and Planning Act requires the County to certify that all construction projects financed with any type of State funding are in compliance with local land use plans, including specific State-mandated environmental priorities.

County Law. Article 3 of the County Charter provides for the issuance of public debt for other than annual operating expenditures and

imposes general requirements for fiscal policy:

- The capital improvements program must provide an estimate of costs, anticipated revenue sources, and an estimate of the impact of the program on County revenues and the operating budget.
- Bond issues may not be for longer than 30 years.
- Capital improvement projects which are estimated to cost in excess of an annually-established amount (for FY 21, \$17,503,000) or which have unusual characteristics or importance, must be individually authorized by law, and are subject to referendum.
- In November 1990, County voters approved an amendment to the Montgomery County Charter, Section 305, to require that the County Council annually adopt spending affordability guidelines for the capital and operating budgets. Spending affordability guidelines for the CIP have been interpreted in subsequent County law to be limits on the amount of County general obligation debt which may be approved for the first and second years of the CIP and for the entire six-year period of the CIP. Similar provisions apply to debt of the Maryland-National Capital Park and Planning Commission (M-NCPPC). These limits may be overridden by a vote of seven of the nine Councilmembers.
- In April 1994, the Council adopted Resolution No. 12-1558 establishing a spending affordability process for WSSC. The process limits WSSC new debt, debt service, water/sewer operating expenses, and rate increases.
- Section 305 of the County Charter includes a limit on the annual increase in property tax revenues. An amendment approved in 2008 requires that real property tax revenues, with the exception of new construction and property whose zoning or use has changed, may not increase by more than the prior year revenues plus the percentage increase in the Washington-Baltimore Metropolitan area CPI-U or its successor unless there is a unanimous vote of nine Councilmembers to exceed that limit. This revenue limit affects CIP fiscal policy by constraining revenue available for future debt service on bond issues and for current revenue contributions to capital projects.
- Chapter 20 of the Montgomery County Code sets various financial guidelines in law such as the deposit of funds, the borrowing of money generally, the activities of the Department of Finance, revenue bonds, and spending affordability.

Federal Law. Policies of the Federal Government affect County fiscal policies relative to debt issuance, revenue expectations, and expenditure controls. Examples of Federal policies that impact County fiscal policy include:

- Internal Revenue Service rules under the Tax Reform Act of 1986, as amended, provide limits on the tax-exempt issuance of public debt, and limit the amount of interest the County can earn from investment of the bond proceeds.
- County shares of costs for some major projects, such as those relating to mass transit and highway interchanges, are dependent upon Federal appropriations and allocations.
- Federal Office of Management and Budget circular A-87 prescribes the nature of expenditures that may be charged to Federal grants.
- Federal legislation will influence the planning and expenditures of specific projects, such as requirements for environmental impact statements for Federally-assisted road projects and the Davis-Bacon Act, which requires local prevailing wage scales in contracts for Federally-assisted construction projects.
- The American Recovery and Reinvestment Act (ARRA) created a number of additional tax-advantaged forms of governmental debt. These forms of debt resulted in lower costs and therefore savings to taxpayers. The County utilized beneficial provisions of the act and issued these new forms of debt where appropriate and advantageous to the County. One example is a qualified energy conservation bond (QECB) that the County issued from 2013 to 2017 to take advantage of a federal tax credit that lowered the cost of debt service for an energy savings project on a county facility.

Fiscal Planning Projections and Assumptions

Several different kinds of trends and economic indicators are reviewed, projected, and analyzed each year for their impacts on County programs and services and for their impact on fiscal policy as applied to the Capital Improvements Program. Among these are:

Inflation, which is important as an indicator of future project costs or the costs of delaying capital expenditures;

Population growth, which provides an indicator of the size or scale of required facilities and services, as well as the timing of population-driven project requirements;

Demographic change in the numbers or location within the County of specific age groups or other special groups, which provides an indication of requirements and costs of specific public facilities;

Annual Growth Policy thresholds and other land use indicators, which are a determinant of major public investment in the infrastructure required to enable implementation of land use plans and authorized development within the County;

The assessable property tax base of the County, which is a major indicator for projections of revenue growth to support funding for public facilities and infrastructure;

Residential construction activity and related indicators, which provide early alerts to the specific location and timing of future public facilities requirements. It is also the most important base for projecting growth in the County's assessable property tax base and estimating property tax levels;

Nonresidential construction activity, which is the indicator of jobs, commuters, and requirements for housing and transit-related public investment. It is also one of the bases for projecting the growth of the County's assessable tax base and property tax revenues;

Employment and job growth within the County, which provide indicators for work-related public facilities and infrastructure;

Personal income earned within the County, which is the principal basis for projecting income tax revenues as one of the County's major revenue sources; and

Montgomery County Public Schools and Montgomery College Enrollment projections, which provide an indication of the size and scale of required facilities and services.

Generally Accepted Accounting Principles (GAAP)

The application of fiscal policy in the financial management of the CIP must be in conformity with GAAP standards. This involves the separate identification and accounting of the various funds which cover CIP expenditures; adherence to required procedures, such as transfers between funds and agencies; and regular audits of CIP transactions, such as the disbursement of bond proceeds and other funds to appropriate projects.

Credit Markets and Credit Reviews

The County's ability to borrow at the lowest cost of funds depends upon its credit standing as assessed by major credit rating agencies such as Moody's Investors Service, Standard & Poor's, and Fitch. Key aspects of the County's continued AAA credit ratings include:

- adherence to sound fiscal policy relative to expenditures and funding of the CIP;
- maintain debt at prudent and sustainable levels;
- maintain adequate fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates;
- appropriate levels of public investment in the facilities and infrastructure required for steady economic growth;
- effective production of the necessary revenues to fund CIP projects and support debt service generated by public borrowing;
- facility planning, management practices, and controls for cost containment and effective implementation of the capital program;
- planning and programming of capital projects to allow consistent levels of borrowing;
- appropriate use and levels of revenues other than general obligation bond proceeds to fund the capital program;
- appropriate levels of CIP funding from annual current tax revenues in order to reduce borrowing needs; and
- assurances through County law and practice of an absolute commitment to timely repayment of debt and other obligations related to public facilities and infrastructure.

Intergovernmental Agreements

Fiscal policy for the CIP must provide guidance for and be applied within the context of agreements made between the County and other jurisdictions or levels of government. Examples include:

- agreements with municipalities for cost shares in the construction of inter-jurisdictional roads and bridges;
- agreements with adjacent jurisdictions related to mass transit or water supply and sewerage;
- agreements with the State of Maryland for cost shares in the construction of transportation and other vital inter-jurisdictional infrastructure; and
- agreements with Federal agencies involving projects related to Federal facilities within the County.

Compatibility with Other County Objectives

Fiscal policy, to be effective, must be compatible with other policy goals and objectives of government. For example:

- Growth management within the County reflects a complex balance among the rights of property owners; the cost of providing infrastructure and services to support new development; and the jobs, tax revenues, and benefits that County growth brings to its residents. Fiscal policy provides guidance for the allocation of public facility costs between the developer and the taxpayer, as well as for limits on debt-supported costs of development relative to increasing County revenues from a growing assessable tax base.
- Government program and service delivery objectives range from conveniently located libraries, recreation centers, and other amenities throughout the County to comprehensive transportation management and advanced waste management systems. Each of these involves differing kinds and mixes of funding and financing arrangements that must be within the limits of County resources as well as acceptable in terms of debt management.
- Planning policies of the County affect land use, zoning and special exceptions, and economic development, as well as the provision of public services. All are interrelated, and all have implications both in their fiscal impacts (cost/revenue effects on government finances) and in economic impacts (effects on the economy of the County as a whole).
- Capital improvement projects have a direct impact on the future operating budgets in the form of debt service and ongoing operating costs. As such, capital needs must be balanced with the need to fund vital services in the operating budget.

EXPLANATION OF CHARTS WHICH FOLLOW

EXPENDITURES BY AGENCY

This chart compares total expenditures for the FY19-24 Amended CIP as approved by the County Council as of May 2019 with total expenditures for the County Executive's Recommended CIP for FY21-26. The data is sorted by implementing agency and by program for Montgomery County Government programs. Percent change between the six-year periods and percentage of each agency's budget to the whole are also compared. This chart also compares WSSC expenditures as approved by the County Council as of May 2019 for FY20-25 with expenditures as recommended for FY21-26. The total CIP based on the latest six-year period as approved by the County Council is compared to the total CIP as recommended in the upcoming six-year period.

EXPENDITURES TAX AND NON-TAX SUPPORTED

This chart compares total expenditures for the FY19-24 Amended CIP as approved by the County Council as of May 2019 with total expenditures for the County Executive's Recommended CIP for FY21-26. The chart separates tax supported and non-tax supported expenditures, and then sorts by implementing agency and by program for MCG programs. Percent change between the six-year periods and percentage of each agency's budget to the whole are also compared. This chart also compares WSSC expenditures as approved by the County Council as of May 2019 for FY20-25 with expenditures as recommended for FY21-26. The total CIP based on the latest six-year period as approved by the County Council is compared to the total CIP as recommended in the upcoming

six-year period.

FUNDING BY MAJOR CATEGORIES

This chart compares total funding for the FY19-24 Amended CIP as approved by the County Council as of May 2019 with total funding for the County Executive's Recommended CIP for FY21-26. The major funding sources are listed separately, and the smaller sources are grouped together within the "Other" category. Percent change between the six-year periods and percentage of each funding source to the whole are also compared. This chart also compares total funding for WSSC as approved by the County Council for FY20-25 with the FY21-26 recommendation. The total CIP based on the latest six-year period as approved by the County Council is compared to the total CIP as recommended in the upcoming six-year period.

FISCAL COMPARISONS: GENERAL OBLIGATION BONDS AND TAX SUPPORTED CURRENT REVENUES

This chart compares information contained in the G.O. Bond Adjustment and Current Revenue Adjustment charts for the FY19-24 Amended CIP as approved by the County Council as of May 2019 with the County Executive's Recommended CIP for FY21-26. Dollar amount and percent changes between the six-year periods and percentage of G.O. bonds and current revenues budgeted to the whole are also compared.

DEBT CAPACITY ANALYSIS

This chart displays the performance of the G.O. bond funded portion of the Capital Improvements Program, various long term leases, and short-term lease financing against a variety of economic and fiscal indicators based on data available in October 2019 when the County Council approved General Obligation bond Spending Affordability Guidelines. This analysis will be updated during the operating budget process.

GENERAL OBLIGATION BOND ADJUSTMENT CHART

This chart compares the General Obligation bonds available for programming, with recommended programmed bond funded expenditures for the FY21-26 year program. Amounts in the line labeled "Less Set Aside: Future Projects" indicate the amount available for possible future expenditures not yet programmed in individual projects. Zeros in the line labeled "Available or (Gap) to be Solved" indicate a balanced capital budget and Capital Improvements Program.

GENERAL OBLIGATION BOND - PROGRAMMING ADJUSTMENT UNSPENT PRIOR YEARS CHART

This chart displays the amount of unspent prior year's General Obligation (GO) Bond funded expenditures (slippage) by category and project. The total amount of slippage from this chart is included on the G.O. Bond Adjustment Chart.

TAX SUPPORTED CURRENT REVENUES ADJUSTMENT CHART

This chart compares the tax supported current revenues available for programming, with programmed current revenue funded expenditures for the recommended FY21-26 program. Zeros in the line labeled "Available or (Gap) to be Solved" indicate a balanced capital budget and Capital Improvements Program.

PARK AND PLANNING BOND ADJUSTMENT CHART

This chart compares the Park and Planning Bonds available for programming, with recommended programmed bond funded expenditures for the FY21-26 year program. Amounts in the line labeled "Less Set Aside: Future Projects" indicate the amount available for possible future expenditures not yet programmed in individual projects. Zeros in the line labeled "Available or (Gap) to be Solved" indicate a balanced capital budget and Capital Improvements Program.

SIX-YEAR CIP EXPENDITURES BY AGENCY

	FY19-24 AMENDED EXCLUDES WSSC (\$000s)	FY21-26 RECOMMENDED EXCLUDES WSSC (\$000s)	PERCENT CHANGE	PERCENT OF TOTAL RECOMMENDED
TAX SUPPORTED COUNTY GOVERNMENT				
General Government	513,598	298,667	-41.8%	7.1%
Public Safety	150,386	162,578	8.1%	3.8%
Transportation	1,048,894	943,252	-10.1%	22.3%
Bridges, Roads, Traffic Improvements	278,491	292,904		
Mass Transit - County Programs	297,365	193,975		
Parking	40,483	37,169		
Other Transportation	432,555	419,204		
Health and Human Services	22,582	30,128	33.4%	0.7%
Libraries and Recreation	149,410	165,229	10.6%	3.9%
Conservation of Natural Resources	20,098	20,129	0.2%	0.5%
Recycling and Resource Management	27,700	58,928	112.7%	1.4%
Housing and Community Development	51,441	152,750	196.9%	3.6%
County Government without Stormwater	1,984,109	1,831,661	-7.7%	43.3%
Stormwater Management	104,990	112,230	6.9%	2.7%
Subtotal: County Government	2,089,099	1,943,891	-7.0%	46.0%
OTHER AGENCIES				
MCPS	1,744,008	1,714,419	-1.7%	40.5%
Montgomery College	276,189	312,850	13.3%	7.4%
M-NCPPC	234,659	231,560	-1.3%	5.5%
Housing Opportunities Commission	8,700	8,000	-8.0%	0.2%
Revenue Authority	17,450	17,450	0.0%	0.4%
Subtotal: Other Agencies	2,281,006	2,284,279	0.1%	54.0%
Grand Total: All Agencies (Excludes WSSC)	4,370,105	4,228,170	-3.2%	100.0%
	FY20-25 APPROVED WSSC ONLY	FY21-26 RECOMMENDED WSSC ONLY	PERCENT CHANGE	
WSSC (Note)				
Washington Suburban Sanitary Commission	1,536,866	1,669,764	8.6%	

Note: WSSC is governed by state law and is the only agency for which the County Council adopts an annual CIP.

**SIX-YEAR CIP EXPENDITURES
TAX SUPPORTED AND NON-TAX SUPPORTED**

	FY19-24 AMENDED EXCLUDES WSSC (\$000s)	FY21-26 RECOMMENDED EXCLUDES WSSC (\$000s)	PERCENT CHANGE	PERCENT OF TOTAL RECOMMENDED
TAX SUPPORTED COUNTY GOVERNMENT				
General Government	513,598	298,667	-41.8%	7.1%
Public Safety	150,386	162,578	8.1%	3.8%
Transportation	1,048,894	943,252	-10.1%	22.3%
Health and Human Services	22,582	30,128	33.4%	0.7%
Libraries and Recreation	149,410	165,229	10.6%	3.9%
Conservation of Natural Resources	20,098	20,129	0.2%	0.5%
Housing and Community Development	51,441	152,750	196.9%	3.6%
SUBTOTAL: COUNTY GOVERNMENT	1,956,409	1,772,733	-9.4%	41.9%
OTHER TAX SUPPORTED AGENCIES				
MCPS	1,744,008	1,714,419	-1.7%	40.5%
Montgomery College	276,189	312,850	13.3%	7.4%
M-NCPPC	234,659	231,560	-1.3%	5.5%
SUBTOTAL: OTHER AGENCIES	2,254,856	2,258,829	0.2%	53.4%
TOTAL: TAX SUPPORTED AGENCIES	4,211,265	4,031,562	-4.3%	95.4%
NON-TAX SUPPORTED AGENCIES AND FUNDS				
Stormwater Management	104,990	112,230	6.9%	2.7%
Recycling and Resource Management	27,700	58,928	112.7%	1.4%
Housing Opportunities Commission	8,700	8,000	-8.0%	0.2%
Revenue Authority	17,450	17,450	0.0%	0.4%
TOTAL: NON-TAX SUPPORTED	158,840	196,608	23.8%	4.6%
GRAND TOTAL: ALL AGENCIES	4,370,105	4,228,170	-3.2%	100.0%

	FY20-25 APPROVED WSSC ONLY	FY21-26 RECOMMENDED WSSC ONLY	PERCENT CHANGE
WSSC (Note)			
Washington Suburban Sanitary Commission	1,536,866	1,669,764	8.6%

Note: WSSC is governed by state law and is the only agency for which the County Council adopts an annual CIP.

**SIX-YEAR CIP
MAJOR FUNDING CATEGORIES**

FUNDING SOURCE	FY19-24 AMENDED EXCLUDES WSSC (\$000S)	FY21-26 RECOMMENDED EXCLUDES WSSC (\$000S)	PERCENT CHANGE	PERCENT OF TOTAL RECOMMENDED
General Obligation Bonds	1,689,807	1,615,992	-4.4%	38.2%
General Paygo	186,000	177,000	-4.8%	4.2%
Agency Bonds	37,430	40,819	9.1%	1.0%
Revenue Bonds	13,582	52,298	285.1%	1.2%
Current Revenue - General Fund	316,087	340,893	7.8%	8.1%
Current Revenue - Other Tax-Supported	141,104	144,473	2.4%	3.4%
Current Revenue - Non-Tax Supported	148,306	132,849	-10.4%	3.1%
Recordation Tax	408,368	467,071	14.4%	11.0%
Recordation Tax - Premium	105,062	119,084	13.3%	2.8%
Intergovernmental Revenues	596,671	549,085	-8.0%	13.0%
Impact Taxes - Transportation	79,655	55,614	-30.2%	1.3%
Impact Taxes - Schools	155,469	111,450	-28.3%	2.6%
Short & Long Term Financing	300,807	199,304	-33.7%	4.7%
Land Sale	15,000	1,900	-87.3%	0.0%
HIF Revolving Program	30,513	97,935	221.0%	2.3%
Contributions	27,225	19,004	-30.2%	0.4%
Other	119,019	103,399	-13.1%	2.4%
TOTAL SIX-YEAR CIP	4,370,105	4,228,170	-3.2%	100.0%

WSSC (Note)	FY20-25 APPROVED WSSC ONLY (\$000S)	FY21-26 RECOMMENDED WSSC ONLY (\$000S)	PERCENT CHANGE	PERCENT OF TOTAL RECOMMENDED
Agency Bonds	1,488,663	1,599,946	7.5%	95.8%
Intergovernmental Revenues	6,045	18,000	197.8%	1.1%
Contributions	7,889	10,236	29.8%	0.6%
Other	34,269	41,582	21.3%	2.5%
TOTAL SIX-YEAR CIP	1,536,866	1,669,764	8.6%	100.0%

Note: WSSC is governed by state law and is the only agency for which the County Council adopts an annual CIP.

FISCAL COMPARISONS							
GENERAL OBLIGATION BONDS AND TAX SUPPORTED CURRENT REVENUES							
FY19-24 AMENDED VS. FY21-26 RECOMMENDED							
(\$ millions)							
	AMENDED FY19-24	RECOMMENDED FY21-26	\$ CHANGE	% CHANGE	AMENDED FY19-24	RECOMMENDED FY21-26	% CHANGE
TOTAL ALL AGENCY EXPENDITURES	4,370.1	4,228.2	(141.9)	-3.2%	4,211.3	4,031.6	-4.3%
G.O. BONDS (refer to Bond Adjustment Chart)							
TAX SUPPORTED CURRENT REVENUES (refer to Current Revenue Adjustment Chart) (c)							
SPENDING AFFORDABILITY LIMITS (SAG)	1,860.0	1,770.0	(90.0)	-4.8%	395.9	485.4	22.6%
PAYGO (Current Revenues)	186.0	177.0	(9.0)	-4.8%	0.0	0.0	0.0%
AVAILABLE FOR DEBT ELIGIBLE EXPENDITURES (GO BONDS) (a)	1,964.4	1,899.3	(65.1)	-3.3%	395.9	485.4	22.6%
SET ASIDE FOR FUTURE PROJECTS	159.4	161.6	2.2	1.4%			
PROGRAMMED DEBT ELIGIBLE EXPENDITURES (b)	1,805.0	1,737.7	(67.3)	-3.7%	395.9	485.4	22.6%
NET PROGRAMMED DEBT ELIGIBLE EXPENDITURES (d)	1,689.8	1,616.0	(73.8)	-4.4%			
% of all agency expenditures	38.7%	38.2%			9.1%	11.5%	
% of tax supported expenditures	40.1%	40.1%			9.4%	12.0%	
Notes:							
a. "Available for Debt Eligible Expenditures" is the total of bonds planned for issue and PAYGO, after adjustments for inflation and implementation.							
b. "Programmed Debt Eligible Expenditures" is the total of G.O. Bond funded expenditures allocated to specific projects on Project Description Forms (PDFs) plus credit for programmed unspent prior year expenditures.							
c. "Tax Supported Current Revenues" includes revenues of the General, Economic Development Fund (EDF), Mass Transit, Fire, Recreation and Park Funds.							
d. "Net Programmed Debt Eligible Expenditures" the total of G.O. Bond expenditures allocated to specific projects on Project Description Forms (PDFs) less PAYGO.							

DEBT CAPACITY ANALYSIS								
FY21-26 CAPITAL IMPROVEMENTS PROGRAM								
September 2019								
GO BOND 6 YR TOTAL = 1,770.0 MILLION								
GO BOND FY21 TOTAL = 320.0.0 MILLION								
GO BOND FY22 TOTAL = 310.0 MILLION								
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	
1 GO Bond Guidelines (\$000)	320,000	320,000	310,000	290,000	290,000	280,000	280,000	280,000
2 GO Debt/Assessed Value	1.66%	1.63%	1.59%	1.55%	1.50%	1.50%	1.50%	1.49%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	11.54%	11.86%	11.91%	11.94%	11.51%	11.41%	11.41%	11.15%
4 \$ Debt/Capita	3,074	3,092	3,122	3,071	3,044	3,031	3,025	3,025
5 \$ Real Debt/Capita (FY20=100%)	3,074	3,016	2,965	2,840	2,741	2,658	2,583	2,583
6 Capita Debt/Capita Income	3.27%	3.20%	3.10%	2.98%	2.86%	2.85%	2.84%	2.84%
7 Payout Ratio	70.19%	71.03%	71.81%	72.67%	73.47%	74.27%	74.68%	74.68%
8 Total Debt Outstanding (\$000s)	3,346,615	3,397,970	3,431,755	3,438,892	3,440,529	3,425,863	3,419,112	3,419,112
9 Real Debt Outstanding (FY20=100%)	3,282,604	3,314,123	3,259,079	3,179,997	3,097,868	3,003,567	2,918,839	2,918,839
10 Note: OP/PSP Growth Assumption (2)		2.0%	2.5%	2.9%	3.2%	3.0%	3.0%	3.0%
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 FY20 approved budget to FY21 budget for FY21 and budget to budget for FY22-26.								

GENERAL OBLIGATION BOND ADJUSTMENT CHART							
FY21-26 Capital Improvements Program							
COUNTY EXECUTIVE RECOMMENDED							
January 15, 2020							
(\$ millions)	6 YEARS	FY21	FY22	FY23	FY24	FY25	FY26
BONDS PLANNED FOR ISSUE	1,770.000	320.000	310.000	290.000	290.000	280.000	280.000
Plus PAYGO Funded	177.000	32.000	31.000	29.000	29.000	28.000	28.000
Adjust for Implementation **	-	-	-	-	-	-	-
Adjust for Future Inflation **	(47.687)	-	-	(5.024)	(9.907)	(14.150)	(18.606)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,899.313	352.000	341.000	313.976	309.093	293.850	289.394
Less Set Aside: Future Projects	161.621 8.51%	15.317	16.841	22.009	27.562	31.270	48.622
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,737.692	336.683	324.159	291.967	281.531	262.580	240.772
MCPS	(646.806)	(148.120)	(127.481)	(101.355)	(99.310)	(101.181)	(69.359)
MONTGOMERY COLLEGE	(126.884)	(21.748)	(23.341)	(17.239)	(23.056)	(21.000)	(20.500)
M-NCPPC PARKS	(65.044)	(10.154)	(9.708)	(12.306)	(11.576)	(10.500)	(10.800)
TRANSPORTATION	(505.374)	(106.579)	(110.394)	(80.069)	(63.864)	(72.991)	(71.477)
MCG - OTHER	(448.884)	(83.084)	(75.533)	(80.998)	(83.725)	(56.908)	(68.636)
Programming Adjustment - Unspent Prior Years*	55.300	33.002	22.298				-
	-						
SUBTOTAL PROGRAMMED EXPENDITURES	(1,737.692)	(336.683)	(324.159)	(291.967)	(281.531)	(262.580)	(240.772)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		1.59%	1.61%	1.60%	1.58%	1.56%	1.54%

GENERAL OBLIGATION BONDS - PROGRAMMING ADJUSTMENT FOR UNSPENT PRIOR YEARS							
FY21-26 CAPITAL IMPROVEMENTS PROGRAM							
COUNTY EXECUTIVE RECOMMENDED							
January 15, 2020							
(In millions)							
PDF Name and No.	Total	FY21	FY22	FY23	FY24	FY25	FY26
Montgomery County Public Schools							
Thomas W. Pyle MS Addition (P651705)	3.510	3.510					
Piney Branch ES Addition (P651707)	(0.493)	(0.493)					
Hallie Wells MS (P116506)	(4.750)	(4.000)	(0.750)				
Kensington-Parkwood ES Addition (P651505)	(2.500)		(2.500)				
Sub-Total	(4.233)	(0.983)	(3.250)	-	-	-	-
Montgomery College							
Rockville Student Services Center (P076604)	(0.010)	(0.005)	(0.005)				
Germantown Science & Applied Studies Phase 1-Renov (P136600)	(0.010)	(0.005)	(0.005)				
Sub-Total	(0.020)	(0.010)	(0.010)	-	-	-	-
M-NCPPC Parks							
Sub-Total	-	-	-	-	-	-	-
Transportation							
ADA Compliance: Transportation (P509325)	(0.500)	(0.500)					
Brighton Dam Road Bridge No. M-0229 (P501907)	(0.062)	(0.062)					
Bicycle-Pedestrian Priority Area Improvements (P501532)	(0.400)	(0.400)					
Frederick Road Bike Path (P501118)	(0.550)	(0.550)					
Metropolitan Branch Trail (P501110)	(8.696)	(7.206)	(1.490)				
Public Facilities Road (P507310)	(0.100)	(0.100)					
Subdivision Road Participation (P508000)	(2.353)	(2.353)					
Sub-Total	(12.661)	(11.171)	(1.490)	-	-	-	-
MCG - Other							
Red Brick Courthouse Structural Repairs (P500727)	0.001	0.001					
EOB HVAC Renovation (P361103)	(0.600)	(0.600)					
Clarksburg Fire Station (P450300)	(1.187)	(1.187)					
Fire Stations: Life Safety Systems (P450302)	(0.436)	(0.214)	(0.222)				
FS Emergency Power Systems Upgrade (P450700)	(0.760)	(0.760)					
HVAC/Elec Replacement: Fire Stns (P458756)	(0.087)	(0.087)					
Resurfacing: Fire Stations (P458429)	(0.009)	(0.009)					
Roof Replacement: Fire Stations (P458629)	(0.172)	(0.172)					
6th District Police Station (P470301)	0.053	0.053					
PSTA Academic Building Complex (P479909)	(1.592)	(0.175)	(1.417)				
Library Refurbishment Level of Effort (P711502)	(1.898)	(1.898)					
Kennedy Shriver Aquatic Center Building Envelope Improvement (P721503)	(3.874)	(0.944)	(2.930)				
Martin Luther King, Jr. Indoor Swim Center Renovation (P721902)	(4.615)	(0.218)	(4.397)				
South County Regional Recreation and Aquatic Center (P721701)	(11.571)	(11.571)					
White Flint Fire Station 23 (P451502)	(0.800)	(0.800)					
White Oak Science Gateway Redevelopment Project (P361701)	(2.122)	(1.000)	(1.122)				
Sub-Total	(29.669)	(19.581)	(10.088)	-	-	-	-
Slippage Used Elsewhere							
Fire Stations: Life Safety Systems (P450302)	(0.141)		(0.141)				
FS Emergency Power Systems Upgrade (P450700)	(0.439)		(0.439)				
Noyes Library for Young Children Rehabilitation and Renovation (P711704)	(0.472)	(0.472)					
Martin Luther King, Jr. Indoor Swim Center Renovation (P721902)	(3.986)		(3.986)				
Bridge Design (P509132)	(0.494)		(0.494)				
Old Blair Auditorium Reuse (P361113)	(0.307)		(0.307)				
Wheaton Library and Community Recreation Center (P361202)	(1.000)		(1.000)				
White Oak Science Gateway Redevelopment Project (P361701)	(1.878)	(0.785)	(1.093)				
Sub-Total	(8.717)	(1.257)	(7.460)	-	-	-	-
Total Programming Adjustment	(55.300)	(33.002)	(22.298)	-	-	-	-

TAX SUPPORTED CURRENT REVENUES ADJUSTMENT CHART

FY21-26 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 15, 2020

(\$ MILLIONS)	6 YEARS	FY21 APPROP (1)	FY22 EXP	FY23 EXP	FY24 EXP	FY25 EXP	FY26 EXP
TAX SUPPORTED CURRENT REVENUES AVAILABLE	497.654	84.842	76.452	95.342	92.264	73.070	75.683
Adjust for Future Inflation *	(12.288)	-	-	(1.498)	(2.861)	(3.355)	(4.573)
SUBTOTAL CURRENT REVENUE FUNDS AVAILABLE FOR ELIGIBLE PROJECTS (after adjustments)	485.366	84.842	76.452	93.844	89.403	69.715	71.110
Less Set Aside: Future Projects	-	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	485.366	84.842	76.452	93.844	89.403	69.715	71.110
GENERAL FUND							
MCPS	(136.892)	(23.080)	(19.677)	(27.657)	(21.602)	(22.438)	(22.438)
MONTGOMERY COLLEGE	(90.504)	(13.084)	(14.384)	(16.434)	(16.434)	(15.084)	(15.084)
M-NCPPC	(26.388)	(4.398)	(4.398)	(4.398)	(4.398)	(4.398)	(4.398)
HOC	(8.000)	(1.750)	(1.250)	(1.250)	(1.250)	(1.250)	(1.250)
TRANSPORTATION	(57.936)	(10.246)	(9.791)	(10.140)	(10.135)	(8.952)	(8.672)
MC GOVERNMENT	(21.173)	(3.541)	(4.276)	(3.364)	(3.314)	(3.364)	(3.314)
SUBTOTAL - GENERAL FUND	(340.893)	(56.099)	(53.776)	(63.243)	(57.133)	(55.486)	(55.156)
MASS TRANSIT FUND	(99.491)	(17.752)	(11.087)	(25.678)	(26.277)	(8.125)	(10.572)
FIRE CONSOLIDATED FUND	(31.282)	(5.041)	(5.639)	(4.473)	(5.543)	(5.654)	(4.932)
PARK FUND	(2.700)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)
ECONOMIC DEVELOPMENT FUND	(11.000)	(5.500)	(5.500)	-	-	-	-
RECREATION	-	-	-	-	-	-	-
SUBTOTAL - OTHER TAX SUPPORTED	(144.473)	(28.743)	(22.676)	(30.601)	(32.270)	(14.229)	(15.954)
TOTAL PROGRAMMED EXPENDITURES	(485.366)	(84.842)	(76.452)	(93.844)	(89.403)	(69.715)	(71.110)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-

* Inflation: 1.59% 1.61% 1.60% 1.58% 1.56% 1.54%

Note:

(1) FY21 APPROP equals new appropriation authority. Additional current revenue funded appropriations will require drawing on operating fund balances.

M-NCPPC Bond Adjustment Chart FY21-26 Capital Improvements Program County Executive Recommended January 15, 2020							
(\$ millions)	6 YEARS	FY21	FY22	FY23	FY24	FY25	FY26
BONDS PLANNED FOR ISSUE	42.700	8.000	8.000	6.600	6.700	6.700	6.700
Plus PAYGO funded							
Adjust for Future Inflation*	-1.073	0.000	0.000	-0.105	-0.214	-0.322	-0.431
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	41.627	8.000	8.000	6.495	6.486	6.378	6.269
Less Set Aside: Future Projects	0.809 1.9%	0.000	0.000	0.064	0.153	0.247	0.345
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	-40.819	8.000	8.000	6.431	6.333	6.131	5.924
Programmed P&P Bond Expenditures	-40.819	-8.000	-8.000	-6.431	-6.333	-6.131	-5.924
SUBTOTAL PROGRAMMED EXPENDITURES	-40.819	-8.000	-8.000	-6.431	-6.333	-6.131	-5.924
AVAILABLE OR (GAP) TO BE SOLVED	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NOTES:							
See additional information on M-NCPPC Bond Programming Adjustment for Unspent Prior Year Detail Chart							
Inflation =		1.59%	1.61%	1.60%	1.58%	1.56%	1.54%