Debt Service

MISSION STATEMENT

This section provides budget data for the repayment of general obligation bonds issued and payment of long-term leases and short-term financing for public facilities 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.

BUDGET OVERVIEW

The total recommended FY07 Operating Budget for Debt Service is $219,858,590 an increase of $2,784,050 or 1.3% percent from the FY06 approved budget of $217,074,540. This amount includes long-term lease expenditures of $12,557,150, and short-term financing of $871,600, but excludes $82,140 in debt service which is appropriated in non-tax supported funds.

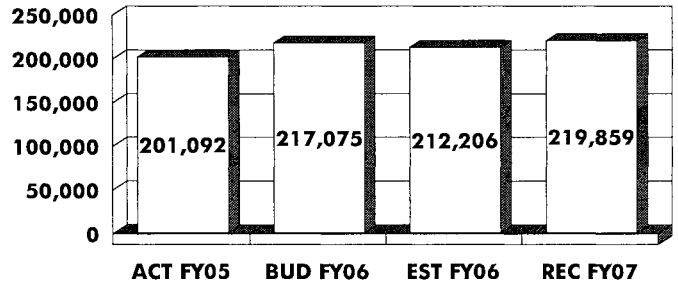
General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 42 percent of the County's capital expenditures for the six years of the Recommended FY07-12 CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefiting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local regulations, interest rates are lower than in the private sector. However, once committed, Debt Service represents a major continuing claim on County resources that must be kept within the annual operating requirements of the County government in order to avoid excessive pressures on operating budgets in years of revenue shortfalls.

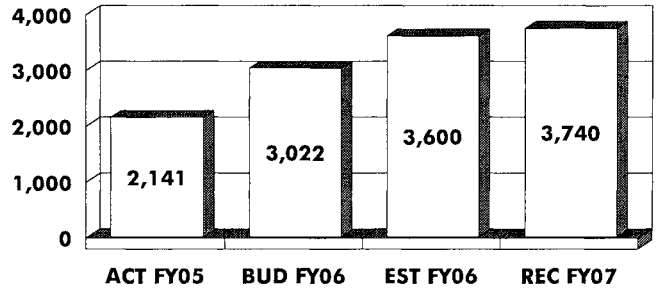
Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. The approved SAG limits are $264.0 million for FY07, $264.0 million for FY08, and $1,458.0 million for the Recommended FY07-12 CIP. The County Executive submits a CIP within SAG.

"General obligation" refers to the fact that the bonds are backed by the "full faith and credit" of the County and its general revenue stream. In addition, the Montgomery County Charter

Trends



EXPENDITURES [$000s]



RELATED REVENUES [$000s]

provides that the Director of Finance must make debt service payments even if the Council fails to provide sufficient appropriation. County G.O. bonds are exempt from Federal taxes and also from State taxes for citizens of Maryland. Finally, the County strives to maintain its total and projected outstanding debt and debt service within certain financial parameters according to the County's fiscal policy. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

Debt Limit

The County's outstanding general obligation debt totals $1,415,208,054 as of June 30, 2005. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2005, is $6,482,295,300 based upon the assessed valuation $98,281,724,723 for all real property and $3,902,612,110 for personal property. The County's outstanding general obligation debt of $1,415,208,054 plus outstanding MICRF loan of $1,198,385 is 1.39 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart included at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2005 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet.

Leases and Other Debt

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term leases, 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.

Long-term payments include:

- Lease payments to the Montgomery County Revenue Authority for the Conference Center, HHS Piccard Drive, and various Recreation pools.
- Lease payments to the Maryland Economic Development Corporation (MEDCO) for the Town Square and Wayne Avenue Garages in Silver Spring.
- Payments for the acquisition of a temperature controlled liquor warehouse.
- Payments for the acquisition of fire and rescue equipment.

Short-term lease payments include:

- Payments for the acquisition of a Public Safety Radio System (through FY06).
- Payments for the acquisition of the Kay property.
- Payments for the acquisition of 83 County Ride On buses (through FY04).

Long-term loan payments to the Maryland Industrial and Commercial Redevelopment Fund (MICRF) are related to an economic development loan between the County and Aspen Systems Corporation. MICRF loaned money to the County which is repaid from the Debt Service Fund, is backed by the full faith and credit of the County, and is considered long-term debt of the County. The County made an equivalent economic development loan to Aspen Systems which is repaid by Aspen Systems into the Economic Development Fund. The loan was repaid in FY06.

Loan payments to HUD are related to a HUD Section 108 program loan that was received by the County. The County re-loaned the funds to HOC. Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the MHI fund support the repayment shown in the Debt Service Fund.

The FY07 appropriations for the long-term and short-term leases are displayed in a chart at the end of this section.

Other Long-Term Debt

Certain other types of long-term debt are issued by the County government and State-chartered agencies of the County, such as the Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Housing Opportunities Commission, and the Revenue Authority. Examples are revenue bonds, backed by fees and charges to facility users; and agency bonds, backed by separate taxes, charges, other revenues, and/or the faith and credit available directly to these agencies. In some cases, the County government may make direct payments under contract to these or other agencies, such as the service payment to the Northeast Maryland Waste Disposal Authority for financing of the Resource Recovery Facility. Most of these other types of non-general obligation debt are not included in expenditure listings of this section.

Debt Service Program

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY07. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (County government facilities that are not included in the following categories); Roads and Storm Drains; Public Housing; Parks (including land and development for M-NCPPC regional and Countywide use parks); Public Schools; Montgomery College; Fire Tax District; Mass Transit Fund; Recreation Fund; Noise

Abatement Districts; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Mass Transit, Fire, Recreation, Noise Abatement Districts) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations and short-term financing obligations. The General County category includes an appropriation for County Debt Service on facilities for Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes. In recent years, Solid Waste projects have been funded entirely with revenue bonds or Enterprise fund current revenues, but general obligation debt service remains from prior year issues.

Certain other expenditures and revenues are included in Debt Service budget calculations. The total Debt Service budget consists of principal and interest on the bonds, long-term lease obligations and short-term financing obligations. Bond anticipation notes (BANs)/commercial paper are short-term capital financing instruments issued with the expectation that the principal amount will be refunded with long-term bonds. In the meantime, interest costs are incurred, usually at lower rates than with more permanent financing. Cost of issuance includes the legal, administrative, and production cost of rating, issuing, and selling bonds, BANs/commercial paper and short- and long-term lease obligations.

Funding sources which offset the General Fund requirement for Debt Service include the accrued interest on bonds between the date of issue and the date the County receives the proceeds, investment income on BANs/commercial paper, and any premium on bonds issued. The special funds will fund the Debt Service appropriation via a transfer from individual special funds to the Debt Service Fund. These special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement and Cabin John Noise Abatement.

The Montgomery County Revenue Stabilization Fund Law, Article XII, Section 20-71, Interest, requires transfer of interest earned on the Fund when the Fund exceeds 50 percent of the maximum Fund size authorized by Section 20-67(a). Interest must be transferred to the Debt Service Fund as an offset to the approved issuance of general obligation debt (PAYGO). The interest income earned will be transferred from the Revenue Stabilization Fund to the Debt Service Fund and then transferred from the Debt Service Fund to the CIP Fund to offset G.O. bond funding. Beginning in FY98, the Revenue Stabilization Fund exceeded 50 percent of the maximum Fund size; therefore, interest is assumed to be transferred to the Debt Service Fund for FY07-12.

Capital Improvements Program Impact On Operating Budget

Debt Service Requirements

Debt Service requirements are the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization, with estimated project costs, sources of funding, and timing of work over a six-year period. For FY07-12, approximately 42 percent of the CIP is funded with G.O. bonds. Each bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. Debt Service expenditures take up fiscal capacity that could be diverted to improved services as well as tax bill containment. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The County Council adopts Spending Affordability Guidelines for the capital budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other long-term commitments, are expected to stay manageable, representing less than ten percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased Debt Service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues for the six years which are the basis of the G.O. bond-funded portion of the Amended FY07-12 CIP.

Annual bond-funding requirements (on which future debt issue projections are based) are based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Recommended FY07-12 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY07-12 CIP is included at the end of this section.

FY06 Estimated Debt Service

FY06 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total $212.2 million, or $3.8 million less than the budget amount of $216.0 million, due primarily to greater than expected savings from a G.O. bond refunding and the reduction in short-term financing needs.

FY07 Recommended Debt Service Budget

The FY07 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through May 2005) plus the following:

- A May 2006 issue of $200 million at a true interest cost of

4.5 percent for 20 years with even principal payments.

- Interest expense based on an anticipated average BANs/commercial paper balance of $162.5 million during FY07.
- Continuation of long-term lease obligations for the Conference Center, HHS Piccard, Town Square and Wayne Avenue Garages, and various pools.
- Long-term lease obligations for the construction of the temperature controlled liquor warehouse and purchase of fire and rescue equipment.
- Short-term financing obligations for the acquisition of the Kay property.

A spring bond issue delays principal and two semiannual interest payments until FY07. Spring bond issues are expected to continue in FY07 through FY12. The favorable short-term interest expense on commercial paper is significantly offset by investment income earned by BANs/commercial paper funds prior to their required use for project expenditures.

The Debt Service assumptions discussed above result in a total FY07 Debt Service requirement for tax supported funds of $219.7 million, which is a 1.7 percent increase from the FY06 budget of $216.0 million. The General Fund appropriation requirement is $205.3 million, or 1.8 percent more than the budgeted FY06 amount of $201.8 million. The special funds appropriation requirements are $14.6 million, or 4.9 percent less than the budgeted FY06 amount of $15.3 million. The change is mainly due to increased expenditures for the fire and rescue equipment lease, offset by reductions in the Liquor Control warehouse lease and repayment of the MICRF loan. The special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, Cabin John Noise Abatement and Liquor Control.

Public Services Program

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation, and implementation of the capital program at a projected 92 percent rate for FY07-12. The actual true interest cost of 4.5 percent is budgeted for the May 2006 issue. Projected interest rates for bond issues for FY07 through FY12 are based on an econometric model which forecasts little change in interest rates after FY07. Under these projections and assumptions, tax-supported Debt Service will increase from $219.7 million in FY07 to $292.9 million by FY12 with the General Fund revenue requirement growing from $205.3 million in FY07 to $267.1 million by FY12.

Rating Agency Reviews

Montgomery County continues to maintain its status as a top-rated issuer of municipal securities. The County has the highest credit ratings possible for a local government, AAA, from Moody's Investors Service, Inc. (since 1973), from Standard and Poor's (since 1976), and from Fitch (since 1993, the first year a rating was sought from Fitch). These high ratings are critical to ensure the lowest possible cost of debt to citizens. High ratings translate into lower interest rates and considerable savings over the 20-year interest payments on the bonds. The rating agencies also place great emphasis on certain operating budget criteria, the quality of government administration, legal or constitutional restrictions, and the overall condition of the local economy. All of these factors are considered evidence of both the ability and willingness of local governments to support public debt.

Development Districts

Three development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The West Germantown District was created by Council Resolution 13-1135, the Kingsview Village Center Development District was created by Resolution 13-1377, and the Clarksburg Town Center District was created by Resolution 15-87. The creation of the development districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or purchase of infrastructure improvements.

The West Germantown Development District was created in an unincorporated area of Montgomery County, encompassing approximately 671 acres. Various transportation, local park, and sewer infrastructure improvements have or will be constructed by developers and acquired by the County at completion for a total cost of $12.8 million. Special obligation bonds were issued in March 2002.

The Kingsview Village Center Development District was created in an unincorporated area of Montgomery County, encompassing approximately 29 acres. Various transportation improvements were constructed by developers and acquired by the County at completion for a total cost of $2.7 million. Special obligation bonds were issued in December 1999.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion for a total cost of $10.76 million. In addition, the District will fund contributions totaling $6.24 million toward the capital cost of two County government projects (a library and extension of Stringtown Road to I-270). Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved resolution number 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg Village and Clarksburg Skylark. The evaluation of these two additional districts remains under consideration although discussions with the petitioners have been inconclusive to date as to whether the two additional districts will proceed. Upon completion, the three proposed Clarksburg developments will consist of 3,900 residential units, and approximately 110,000 square feet of retail space.

The County issues special obligation bonds to fund the acquisition of the completed infrastructure assets. The debt service on the special obligation debt is funded by an ad

valorem tax and special benefit assessment levied on the properties located in the development district. The County Council, by separate resolution, sets the ad valorem tax and special benefit assessment at rates sufficient to pay the principal, interest, any redemption premium on the bonds, and administrative expenses.

Revenues resulting from the ad valorem tax and special benefit assessed, and expenditures for the debt service on the special obligation bonds and administrative expenses, are accounted for in an agency fund, because the County has no obligation whatsoever for the indebtedness. The County acts only as a financing conduit and agent for the property owners and bondholders. In accordance with Section 20A-1 of the Montgomery County Code, the bonds or other obligations issued may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power.

PROGRAM CONTACTS

Contact Jennifer Barrett of the Department of Finance at 240.777.8870 or Jacqueline Carter of the Office of Management and Budget at 240.777.2771 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY05	Budget FY06	Estimated FY06	Recommended FY07	% Chg Bud/Rec
DEBT SERVICE					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service Personnel Costs	***0***	***0***	***0***	***0***	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	201,091,991	216,024,540	212,206,350	219,668,590	1.7%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	***201,091,991***	***216,024,540***	***212,206,350***	***219,668,590***	***1.7%***
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Street Assessments	14,998	0	0	0	—
BAN/Comm Paper Investment Income: Pooled	882,283	2,722,000	3,300,000	3,400,000	24.9%
Accrued Interest: GO Refunding Bonds	520,918	0	0	0	—
Accrued Interest: Installment Notes, I&P	260,853	0	0	0	—
Accrued Interest: Bonds Non-Pooled	462,377	300,000	300,000	340,000	13.3%
Debt Service Revenues	***2,141,429***	***3,022,000***	***3,600,000***	***3,740,000***	***23.8%***
DEBT SERVICE - NON-TAX SUPPORTED					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service - Non-Tax Supported Personnel Costs	***0***	***0***	***0***	***0***	—
Operating Expenses	0	1,050,000	0	190,000	-81.9%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	***0***	***1,050,000***	***0***	***190,000***	***-81.9%***
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
DEPARTMENT TOTALS					
Total Expenditures	**201,091,991**	**217,074,540**	**212,206,350**	**219,858,590**	**1.3%**
Total Full-Time Positions	**0**	**0**	**0**	**0**	—
Total Part-Time Positions	***0***	***0***	***0***	***0***	—
Total Workyears	***0.0***	***0.0***	***0.0***	***0.0***	—
Total Revenues	***2,141,429***	***3,022,000***	***3,600,000***	***3,740,000***	***23.8%***

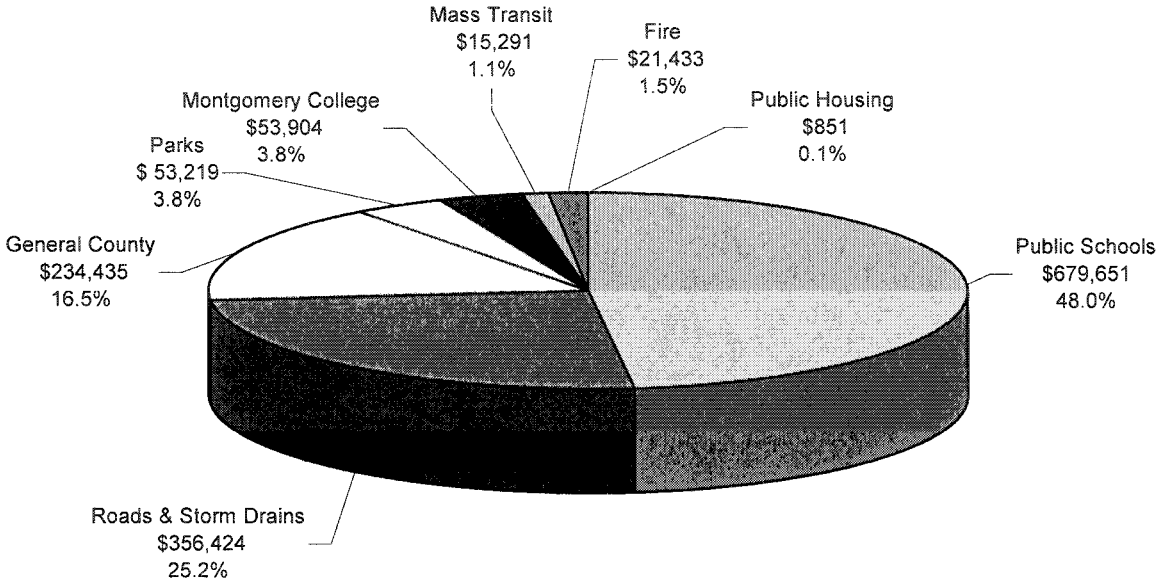
DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

	Actual FY04	Actual FY05	Budget FY06	Estimated FY06	Recommended FY07	% Chg Rec/Bud	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	19,586,319	22,368,334	24,308,440	24,453,850	25,612,430		12.8%
Roads & Storm Drains	46,642,173	45,683,511	49,899,240	48,349,940	52,289,880		26.2%
Public Housing	312,550	297,081	281,550	281,550	266,000		0.1%
Parks	5,215,712	5,564,364	6,722,720	6,524,440	6,640,990		3.3%
Public Schools	83,881,739	86,162,421	90,201,310	88,259,660	97,404,250		48.8%
Montgomery College	4,845,285	4,730,719	6,211,610	6,002,660	6,725,030		3.4%
Bond Anticipation Notes/Commercial Paper	1,317,433	2,883,383	3,333,300	4,800,000	5,800,000		
Cost of Issuance: General Fund	645,288	630,299	952,120	952,120	976,880		
Total General Fund	162,446,499	168,320,112	181,910,290	179,624,220	195,715,460	7.6%	94.6%
Fire Tax District Fund	2,256,102	2,276,043	3,043,220	2,724,630	3,303,290	8.5%	1.7%
Mass Transit Fund	3,140,136	3,005,061	3,119,380	3,010,230	2,506,300	-19.7%	1.3%
Recreation Fund	3,547,968	3,981,838	4,850,190	4,611,660	4,862,820	0.3%	2.4%
Bradley Noise Abatement Fund	35,112	33,888	32,650	32,650	32,650	0.0%	0.0%
Cabin John Noise Abatement Fund	10,411	10,051	9,690	9,690	9,320	-3.8%	0.0%
Total Tax Supported Other Funds	8,989,729	9,306,881	11,055,130	10,388,860	10,714,380	-3.1%	5.4%
TOTAL TAX SUPPORTED	171,436,228	177,626,993	192,965,420	190,013,080	206,429,840	7.0%	100.0%
Non-Tax Supported				-			
Solid Waste Disposal Fund	97,685	58,431	55,160	55,160	2,720	-95.1%	0.0%
Total Non-Tax Supported	97,685	58,431	55,160	55,160	2,720	-95.1%	0.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	171,533,913	177,685,424	193,020,580	190,068,240	206,432,560	6.9%	100.0%
LONG-TERM LEASE EXPENDITURES				-			
Revenue Authority - Conference Center	1,581,768	1,904,509	2,266,060	2,200,210	2,211,270		
Revenue Authority - HHS Piccard Drive	636,388	634,512	631,830	631,830	633,200		
Silver Spring Garages	5,376,400	6,227,703	5,858,990	5,858,990	5,862,370		
Revenue Authority - Recreation Pools	1,327,174	3,153,782	3,100,180	3,100,180	3,060,310		
Fire and Rescue Equipment	-	-	-	-	600,000		
Liquor Control Warehouse - **(Non-tax supported)**	-	-	1,050,000	-	190,000		
TOTAL LONG-TERM LEASE EXPENDITURES	8,921,730	11,920,506	12,907,060	11,791,210	12,557,150		
SHORT-TERM LEASE EXPENDITURES				-			
Short Term Financing - Public Safety Radio	10,320,688	10,276,087	10,220,100	9,420,100	-		
Short Term Financing - Kay Property	-	1,158,045	871,600	871,600	871,600		
Short Term Financing - Buses	3,369,600	-	-	-	-		
TOTAL SHORT-TERM LEASE EXPENDITURES	13,690,288	11,434,132	11,091,700	10,291,700	871,600		
OTHER LONG-TERM DEBT				-			
MICRF Loan - **Tax supported**	110,360	110,360	110,360	110,360	-		
MHI-HUD Loan - **Non-Tax supported**	18,463	80,938	80,300	80,310	79,420		
T OTAL OTHER LONG-TERM DEBT	128,823	191,298	190,660	190,670	79,420	-58.3%	
DEBT SERVICE EXPENDITURES				-			
Tax Supported	**194,158,606**	**201,091,991**	**216,024,540**	**212,206,350**	**219,668,590**		
Non-Tax supported - Long-Term Leases	**0**	**0**	**1,050,000**	**0**	**190,000**		
Non-Tax Supported - Other Debt	**116,148**	**139,369**	**135,460**	**135,470**	**82,140**		
TOTAL DEBT SERVICE EXPENDITURES	**194,274,754**	**201,231,360**	**217,210,000**	**212,341,820**	**219,940,730**	**1.3%**	
GO BOND DEBT SERVICE FUNDING SOURCES				-			
General Funds	159,771,070	166,265,107	178,888,290	176,024,220	191,975,460		
Accrued Interest: Bonds-Non Pooled	397,833	462,377	300,000	300,000	340,000		
Accrued Interest: G.O.Refunding Bonds	347,072	520,918	-	-	-		
Accrued Interest: Installmt Notes, I&P, Street Assessmts	727,529	260,853	-	-	-		
BAN/Commercial Paper Investment Income	515,058	882,283	2,722,000	3,300,000	3,400,000		
Special Street Assessments	3,745	14,998	-	-	-		
Premium on General Obligation Bonds	485,333	-	-	-	-		
Total General Fund Sources	162,247,640	168,406,536	181,910,290	179,624,220	195,715,460		
Fire Tax District Funds	2,481,625	2,359,752	3,043,220	2,724,630	3,303,290		
Mass Transit Fund	3,114,488	3,019,228	3,119,380	3,010,230	2,506,300		
Recreation Fund	3,546,952	3,797,538	4,850,190	4,611,660	4,862,820		
Bradley Noise Abatement Fund	35,112	33,888	32,650	32,650	32,650		
Cabin John Noise Abatement Fund	10,411	10,051	9,690	9,690	9,320		
Parking Lot District Funds	-	-	-	-	-		
Solid Waste Disposal Fund	97,685	58,431	55,160	55,160	2,720		
Total Other Funding Sources	9,286,273	9,278,888	11,110,290	10,444,020	10,717,100		
TOTAL GO BOND FUNDING SOURCES	171,533,913	177,685,424	193,020,580	190,068,240	206,432,560		
NON GO BOND FUNDING SOURCES				-			
General Funds	17,915,244	20,200,856	19,848,580	18,982,730	9,578,440		
Montgomery Housing Initiative Fund	18,463	80,938	80,300	80,310	79,420		
Mass Transit Fund	3,369,600	-	-	-	-		
Liquor Control Fund	-	-	1,050,000	-	190,000		
Economic Development Fund	110,360	110,360	110,360	110,360	-		
Recreation Fund	1,327,174	3,153,782	3,100,180	3,100,180	3,060,310		
Fire Tax District fund	-	-	-	-	600,000		
TOTAL NON GO BOND FUNDING SOURCES	22,740,841	23,545,936	24,189,420	22,273,580	13,508,170		
TOTAL FUNDING SOURCES	**194,274,754**	**201,231,360**	**217,210,000**	**212,341,820**	**219,940,730**		
TRANSFERS				-			
FROM: RSF Investment Income	1,083,101	2,369,863	3,035,320	4,198,860	4,904,290		
TO: CIP - PAYGO	1,083,101	2,369,863	3,035,320	4,198,860	4,904,290		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	154,600,000	200,000,000	-	200,000,000	-		
Council SAG Approved Issues	-	-	213,000,000	203,000,000	264,000,000		

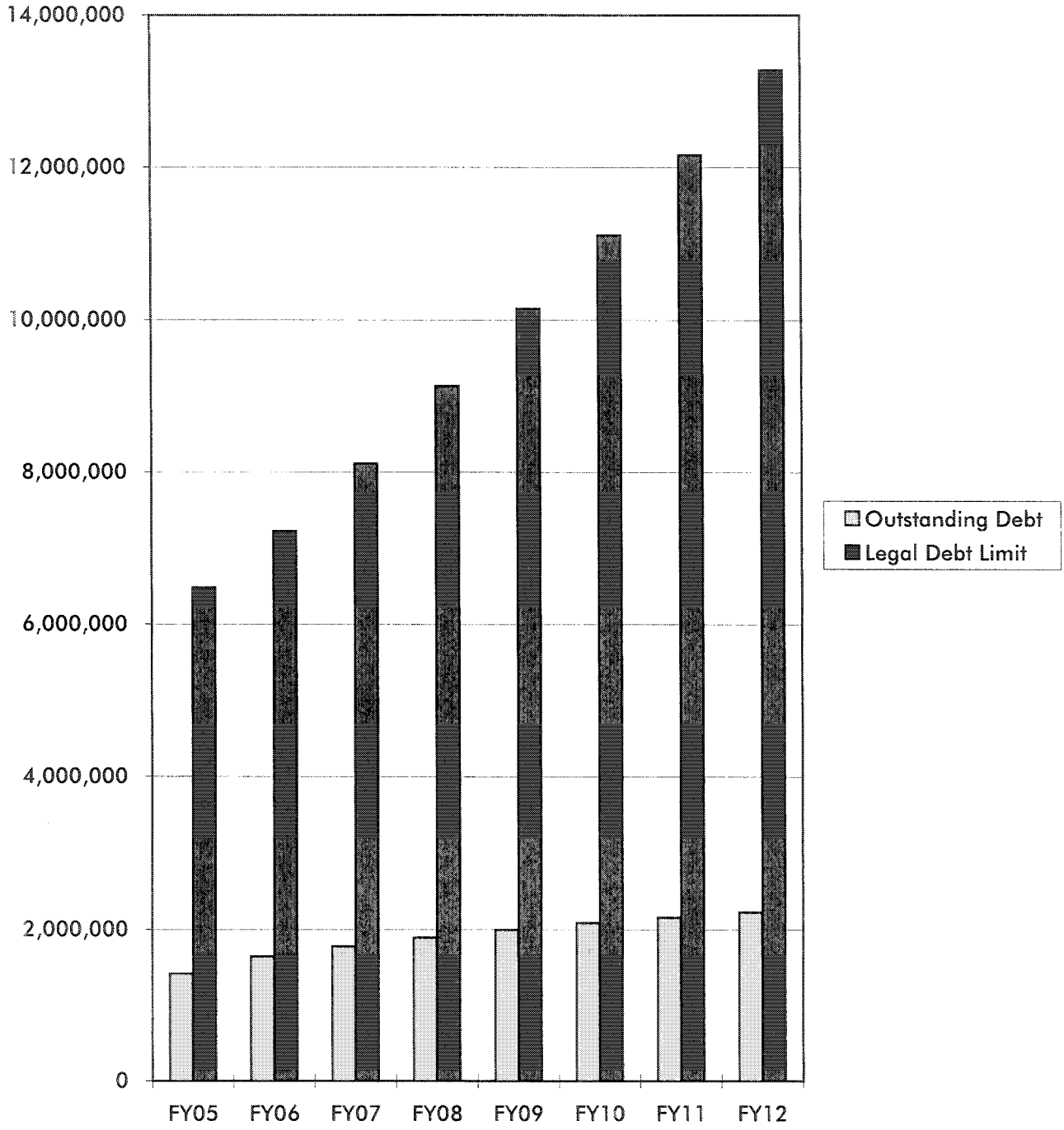
DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

	Recommended FY07	Projected FY08	Projected FY09	Projected FY10	Projected FY11	Projected FY12
GO BOND DEBT SERVICE EXPENDITURES						
General County	25,612,430	28,741,230	30,286,710	33,975,640	35,594,580	39,601,700
Roads & Storm Drains	52,289,880	56,963,160	58,995,140	58,726,100	59,508,300	59,922,070
Public Housing	266,000	250,420	175,010	108,320	34,920	112,000
Parks	6,640,990	7,415,510	8,488,790	9,575,550	11,014,250	12,663,200
Public Schools	97,404,250	107,366,770	112,155,150	117,446,780	117,934,320	119,018,430
Montgomery College	6,725,030	9,113,470	11,363,990	13,287,460	18,013,780	20,333,780
Bond Anticipation Notes/Commercial Paper	5,800,000	6,000,000	6,100,000	6,200,000	6,300,000	6,300,000
Cost of Issuance	976,880	1,002,280	1,029,340	1,057,130	1,085,670	1,114,990
Total General Fund	195,715,460	216,852,840	228,594,130	240,376,980	249,485,820	259,066,170
Fire Tax District Fund	3,303,290	4,668,200	5,942,060	7,749,300	9,032,830	9,075,040
Mass Transit Fund	2,506,300	2,500,060	2,410,600	2,511,720	2,375,470	2,114,130
Recreation Fund	4,862,820	5,397,240	6,333,610	6,917,460	7,504,610	8,375,040
Bradley Noise Abatement Fund	32,650	30,120	28,810	27,500	26,180	24,870
Cabin John Noise Abatement Fund	9,320	8,940	8,560	8,170	7,780	7,390
Total Tax Supported Other Funds	10,714,380	12,604,560	14,723,640	17,214,150	18,946,870	19,596,470
TOTAL TAX SUPPORTED	206,429,840	229,457,400	243,317,770	257,591,130	268,432,690	278,662,640
Non-Tax Supported						
Solid Waste Disposal Fund	2,720	2,540	-	-	-	-
Total Non-Tax Supported	2,720	2,540	0	0	0	0
TOTAL GO BOND DEBT SERVICE EXPENDITURES	206,432,560	229,459,940	243,317,770	257,591,130	268,432,690	278,662,640
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	2,211,270	2,216,070	2,210,660	1,903,290	1,901,650	1,903,900
Revenue Authority - HHS Piccard Drive	633,200	633,490	632,700	635,700	632,500	633,040
Silver Spring Garages	5,862,370	5,591,010	5,553,520	5,590,330	5,544,320	5,544,170
Revenue Authority - Recreation Pools	3,060,310	3,051,130	2,662,970	2,664,820	2,325,820	2,325,680
Fire and Rescue Equipment	600,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
Liquor Control Warehouse **(Non-tax supported)**	190,000	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
TOTAL LONG-TERM LEASE EXPENDITURES	12,557,150	16,841,700	16,409,850	16,144,140	15,754,290	15,756,790
SHORT-TERM LEASE EXPENDITURES						
Short Term Financing - Kay Property	871,600	871,600	871,600	-	-	-
TOTAL SHORT-TERM LEASE EXPENDITURES	871,600	871,600	871,600	-	-	-
OTHER LONG-TERM DEBT						
MHI-HUD Loan - **Non-Tax supported**	79,420	78,260	76,870	75,300	73,580	73,580
TOTAL OTHER LONG-TERM DEBT	79,420	78,260	76,870	75,300	73,580	73,580
DEBT SERVICE EXPENDITURES						
Tax Supported	**219,668,590**	**245,620,700**	**259,049,220**	**272,185,270**	**282,636,980**	**292,869,430**
Non-Tax supported - Long-Term Leases	**190,000**	**1,550,000**	**1,550,000**	**1,550,000**	**1,550,000**	**1,550,000**
Non-Tax Supported - Other Debt	**82,140**	**80,800**	**76,870**	**75,300**	**73,580**	**73,580**
TOTAL DEBT SERVICE EXPENDITURES	**219,940,730**	**247,251,500**	**260,676,090**	**273,810,570**	**284,260,560**	**294,493,010**
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	191,975,460	212,992,840	224,714,130	236,376,980	245,465,820	254,926,170
Accrued Interest on Bonds - Non-Pooled	340,000	360,000	380,000	400,000	420,000	440,000
BAN/Commercial Paper Investment Income	3,400,000	3,500,000	3,500,000	3,600,000	3,600,000	3,700,000
Total General Fund Sources	195,715,460	216,852,840	228,594,130	240,376,980	249,485,820	259,066,170
Fire Tax District Fund	3,303,290	4,668,200	5,942,060	7,749,300	9,032,830	9,075,040
Mass Transit Fund	2,506,300	2,500,060	2,410,600	2,511,720	2,375,470	2,114,130
Recreation Fund	4,862,820	5,397,240	6,333,610	6,917,460	7,504,610	8,375,040
Bradley Noise Abatement Fund	32,650	30,120	28,810	27,500	26,180	24,870
Cabin John Noise Abatement Fund	9,320	8,940	8,560	8,170	7,780	7,390
Solid Waste Disposal Fund	2,720	2,540	0	0	-	-
Total Other Funding Sources	10,717,100	12,607,100	14,723,640	17,214,150	18,946,870	19,596,470
TOTAL GO BOND FUNDING SOURCES	206,432,560	229,459,940	243,317,770	257,591,130	268,432,690	278,662,640
NON GO BOND FUNDING SOURCES						
General Funds	9,578,440	9,312,170	9,268,480	8,129,320	8,078,470	8,081,110
Montgomery Housing Initiative Fund	79,420	78,260	76,870	75,300	73,580	73,580
Liquor Control Fund	190,000	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
Economic Development Fund	-	-	-	-	-	0
Recreation Fund	3,060,310	3,051,130	2,662,970	2,664,820	2,325,820	2,325,680
Fire Tax District Fund	600,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
TOTAL NON GO BOND FUNDING SOURCES	13,508,170	17,791,560	17,358,320	16,219,440	15,827,870	15,830,370
TOTAL FUNDING SOURCES	**219,940,730**	**247,251,500**	**260,676,090**	**273,810,570**	**284,260,560**	**294,493,010**
TRANSFERS						
FROM: RSF Investment Income	4,904,290	5,012,080	5,065,970	5,173,760	5,227,650	5,281,550
TO: CIP - PAYGO	4,904,290	5,012,080	5,065,970	5,173,760	5,227,650	5,281,550
TOTAL GENERAL OBLIGATION BOND SALES						
Council SAG Approved Issues	264,000,000	264,000,000	235,000,000	235,000,000	230,000,000	230,000,000
ESTIMATED INTEREST RATE	6.10%	6.10%	6.20%	6.20%	6.20%	6.20%

General Obligation Bonds Outstanding by Bond Category
($000s)
Total $1,415,208 as of June 30, 2005



Outstanding Debt and Legal Debt Limit
($000s)



DEBT CAPACITY ANALYSIS (1)

FY07-12 Recommended Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED WITH PSP ASSUMPTIONS AT MARCH 15, 2006

GO BOND 6 YR TOTAL = 1,458.0 MILLION

GO BOND FY07 TOTAL = 264.0 MILLION

GO BOND FY08 TOTAL = 264.0 MILLION

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
1 New GO Debt Issued ($000s)	200,000	200,000	264,000	264,000	235,000	235,000	230,000	230,000
2 GO Debt/Assessed Value	1.39%	1.44%	1.37%	1.30%	1.22%	1.16%	1.10%	1.04%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	9.01%	9.31%	9.08%	9.41%	9.27%	9.18%	8.97%	8.76%
4 $ Debt/Capita	1,504	1,725	1,843	1,943	2,020	2,084	2,142	2,192
5 $ Real Debt/Capita (FY06=100%)	1,544	1,725	1,796	1,846	1,868	1,877	1,878	1,872
6 Capita Debt/Capita Income	2.61%	2.88%	2.87%	2.94%	2.96%	2.98%	2.97%	2.94%
7 Payout Ratio	70.20%	69.57%	68.65%	67.95%	68.13%	68.44%	68.91%	69.45%
8 Total Debt Outstanding ($000s)	1,416,406	1,643,888	1,776,678	1,896,538	1,995,351	2,083,814	2,158,670	2,226,745
9 Real Debt Outstanding (FY06=100%)	1,454,216	1,643,888	1,731,655	1,801,635	1,845,670	1,876,823	1,893,129	1,901,490
10 Note: OP/PSP Growth Assumption (2)			4.3%	7.2%	6.5%	5.7%	6.0%	5.9%

Notes:

(1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.

(2) OP/PSP Growth Assumption equals change in revenues from FY06 estimate to FY07 budget for FY07 and budget to budget for FY08-12.

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY07-12 CAPITAL IMPROVEMENTS PROGRAM
COUNTY EXECUTIVE RECOMMENDED
MARCH 15, 2006

($ millions)	6 YEARS	FY07	FY08	FY09	FY10	FY11	FY12
BONDS PLANNED FOR ISSUE	1,458.000	264.000	264.000	235.000	235.000	230.000	230.000
Assumes Council SAG							
Plus PAYGO Funded	178.800	26.400	26.400	29.000	29.000	34.000	34.000
Adjust for Implementation *	120.904	22.956	22.956	19.831	19.244	18.237	17.679
Adjust for Future Inflation *	(67.605)	-	-	(6.941)	(13.699)	(20.279)	(26.687)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,690.098	313.356	313.356	276.891	269.545	261.957	254.993
Less Set Aside: Future Projects	369.872 21.88%	9.736	16.881	16.416	46.589	99.668	180.582
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,320.226	303.620	296.475	260.475	222.956	162.289	74.411
MCPS	(477.924)	(132.969)	(134.075)	(114.323)	(63.850)	(32.707)	-
MONTGOMERY COLLEGE	(139.101)	(23.551)	(22.716)	(20.413)	(45.039)	(21.744)	(5.638)
M-NCPPC PARKS	(80.673)	(8.343)	(13.683)	(12.635)	(16.898)	(16.976)	(12.138)
TRANSPORTATION	(288.793)	(70.391)	(71.072)	(34.712)	(44.880)	(34.160)	(33.578)
MCG - OTHER	(333.735)	(68.366)	(54.929)	(78.392)	(52.289)	(56.702)	(23.057)
SUBTOTAL PROGRAMMED EXPENDITURES	(1,320.226)	(303.620)	(296.475)	(260.475)	(222.956)	(162.289)	(74.411)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES: * Adjustments Include: Inflation =		2.60%	2.60%	2.70%	2.70%	2.70%	2.70%
Implementation Rate =		92.00%	92.00%	92.00%	92.00%	92.00%	92.00%

NOTE: This chart includes proposed County Executive adjustments to the FY07-12 Capital Improvements Program recommended on January 12, 2006.