


## MEMORANDUM

April 21, 2016

TO: Government Operations and Fiscal Policy Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: FY17 Operating Budget: Debt Service

Those expected to attend this worksession include: Joseph Beach, Finance Director; Jacqueline Carter, Debt Manager; Chris Mullin, Office of Management and Budget.

Relevant pages from the FY17 Recommended Operating Budget are attached on ©1-12.

<b>Staff recommendation: Concur with CE's Recommended Budget for Debt Service</b>
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### Overview

**The FY17 recommended budget for Debt Service is \$397,600,850.** This amount represents an increase of \$38,601,765 (10.8 percent) over the FY16 approved budget of \$358,999,085. In FY17, as is true every year, the lion's share of the debt service budget is for estimated principal and interest payments on debt the County has already incurred to finance capital projects the County has previously approved and for which the County has already begun repayment.

The total debt service budget for FY17 is comprised of the annual debt service obligation of all outstanding general obligation bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures. The budget amount includes \$252.6 million in principal and \$145.0 million in interest. The FY17 debt service budget is based on existing debt service requirements from bond issues (through November 2014), plus:

- Fall 2016 (FY17) issue of \$340.0 million at an interest cost of 5.5 percent for 20 years, with even principal payments;
- Interest expense based on an anticipated average commercial paper/bond anticipation note balance of \$500.0 million; and
- Other short- and long-term financing obligations.

The debt service budget includes debt service on general obligation bonds and on bond anticipation notes (also known as commercial paper), which are short-term notes the County issues several times each year to pay for capital projects. The bond anticipation notes are issued (as the name would imply) with an expectation that the principal amount will be refunded with long-term bonds. Debt service also includes long-term and short-term lease payments, both of which are virtually identical to debt service. Financial advisory services are also included in the debt service budget.

Total debt outstanding (\$3,367,265,000 in FY17) consists of outstanding General Obligation Debt (\$2,867,265,000) and Bond Anticipation Notes (\$500,000,000). The total amount of debt outstanding has increased each year since FY05 and is projected to continue to do so through FY22. **Total debt outstanding as a percentage of the legal debt limit—as calculated by Finance—fell from 24.9 percent in FY04 to 18.8 percent in FY09, then rose to more than 30% in FY15 and FY16.** Based on Finance's current estimates, outstanding debt as a percentage of legal debt limit will fall back down to 28.0% in FY22. *See Outstanding Debt, © 13.*

Debt service in the General Fund is for various County Government facilities and also for MCPS, the College, and Countywide parks. The currently outstanding general obligation debt financed projects are in the following categories: **43 percent financed public schools**; 20 percent financed roads and storm drains; 17 percent financed general County government projects; nearly 7 percent financed Montgomery College projects; 5 percent financed mass transit projects; 2 percent financed parks projects; 2 percent funded recreation projects; and 2 percent financed fire projects.

As previously noted, debt service represents a cumulative cost of current and past spending decisions. Consequently, even draconian cuts in capital spending in any one year are unlikely to have a significant effect on debt service costs in that year or any subsequent year. **On November 17, 2015, the Council discussed the factors driving the cost of government. One factor driving the cost of government is debt service. Since FY12, affordability indicators have “slipped into uncharted territory, well beyond the standards adopted in the early 1990s.”** *See excerpt of November 2015 memorandum at ©17-18.*

### **FY16 Debt Issuance**

**In the fall of 2015, the County issued bonds with a par value of \$300 million and target value of \$325.9 million.** The true interest cost for the issue was 2.80% and the average coupon was 3.764%. For purposes of comparison, the following were the true interest costs of other recent issuances: 2.74% in fall 2014; 3.13% in fall 2013; and 2.30% in fall 2012. *See FY13-16 bond issuances, ©19-26.*

### **FY16 Estimate vs. FY16 Approved**

**The debt service fund is characterized by minimal variance to budget.** Finance estimates FY16 GO bond expenditures at \$315,024,624 versus the approved budget of \$316,819,300 (0.6% below budget). Finance estimates total FY16 debt service expenditure of \$352,801,649, which is less than 2% below the approved budget of \$359,062,565.

## **The County's Bond Rating**

Montgomery County is one of 44 counties in the nation—and one of only 13 counties with a population greater than 900,000—to be rated AAA by Moody's, Standard & Poor's, and Fitch ("triple-AAA"). The County has held its AAA rating from Moody's since 1973, from S & P since 1976, and from Fitch since 1993 (the first year in which the County sought a rating from Fitch). Those ratings translate into lower interest rates on debt and debt service cost savings over the life of every bond issuance. *See Financial Impact of a Downgrade, © 15-16.*

<b>Staff recommendation: Concur with CE's Recommended Budget for Debt Service</b>
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Attachments: © 1 Recommended FY16 Operating Budget: Debt Service  
© 13 Outstanding Debt  
© 15 Financial Impact of a Downgrade  
© 17 Excerpt, "Cost of Government" memorandum (November 17, 2015)  
© 19 Bond Issuances, FY13-FY16

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# Debt Service

## Mission Statement

This section provides budget data for the repayment of general obligation bond issues, and other long- and short-term financing for public facilities, equipment, and infrastructure in the Debt Service Fund for all tax supported County agencies (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs. Non-tax supported debt repayment related to the MHI Property Acquisition Fund and Water Quality Protection bonds are also included.

## Budget Overview

The total recommended FY17 Operating Budget for Debt Service is \$397,600,850 an increase of \$38,601,765 or 10.8 percent from the FY16 approved budget of \$358,999,085. This amount excludes \$61,280 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 45.3 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY17-22 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.

"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 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.

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. On September 29, 2015, the County Council approved SAG limits at \$340.0 million for FY17, \$340.0 million for FY18 and \$2,040.0 million for the FY17-22 period. On February 2, 2016, the County Council confirmed the guidelines set on September 29, 2015.

## 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 FY17. 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.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes); 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; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Fire Tax District, Mass Transit, and Recreation) as appropriate. These appropriations include debt service for G.O. bond issues outstanding and other long-term and short-term financing.

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 and other long-term 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 as well as financial advisory services. Funding sources which offset the General Fund requirement for Debt Service may include 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.

## **FY16 Estimated Debt Service**

FY16 estimated general obligation Debt Service, lease and other long-term debt expenditure requirements for tax-supported funds total \$342.5 million which is lower than the budget of \$348.8 million primarily due to deferrals in some lease financing, actual interest rates that were lower than budget, and prior years G.O. bond refundings.

## **FY17 Recommended Debt Service Budget**

The FY17 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through November 2015) plus the following:

- A fall 2016 (FY17) issue of \$340.0 million at an interest cost of 5.5 percent for 20 years with even principal payments (fall bond issues are expected to continue through FY22).
- Interest expense based on an anticipated average BANs/commercial paper balance of \$500.0 million during FY17.
- Other short- and long-term financing obligations displayed in a chart at the end of the section.

The Debt Service assumptions discussed above result in a total FY17 Debt Service requirement for tax supported funds of \$383.3 million, which is a 9.9 percent increase from the FY16 budget of \$348.8 million. The General Fund appropriation requirement is \$319.9 million, or 12.4 percent more than the budgeted FY16 amount of \$284.5 million. A schedule detailing debt service principal and interest by major fund is included at the end of the chapter.

## **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 100.0 percent for FY17-FY22. An estimated interest cost of 5.5 percent is budgeted for the fall 2016 (FY17) issue. Projected interest rates for bond issues for FY17 through FY22 are based on market expectations for coupon rates, which drive actual debt service costs. Under these projections and assumptions, tax-supported Debt Service will increase from \$383.3 million in FY17 to \$459.3 million by FY22 with the General Fund revenue requirement growing from \$319.9 million in FY17 to \$396.5 million by FY22.

## **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. 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 short- and long-term commitments, are expected to stay manageable, representing about 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 Recommended FY17-22 CIP. Annual bond-funding requirements (on which future debt issue projections are based) are based

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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 FY17-22 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY17-22 CIP is included at the end of this section.

## **Debt Limit**

The County's outstanding general obligation debt totals \$2,644,750,000 as of June 30, 2015. 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, 2015, is \$10,367,675,474 based upon the assessed valuation \$163,656,758,206 for all real property and \$3,665,133,210 for personal property. The County's outstanding general obligation debt of \$2,644,750,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.88 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 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 2015 (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 financing, 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. 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 Housing Opportunities Commission(HOC). Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the Montgomery Housing Initiative (MHI) fund support the repayment shown in the Debt Service Fund. The FY17 appropriations for the long- and short-term financing are displayed in a chart at the end of this section.

## **Other Long-Term Debt**

Other long-term debt includes the debt service costs, offset by a transfer from the MHI Fund, for the issuance of debt to create a property acquisition revolving fund which will significantly increase the County's capacity to acquire and renovate affordable housing. Long-term debt payments to acquire the Silver Spring Music Venue and Site II land are also included.

Commencing in FY12, Water Quality Protection bonds financed stormwater management requirements resulting from the new National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS-4) permit requirements. To pay for the debt service, a transfer of funds from the Water Quality Protection Fund to the Debt Service fund is required. In FY13 the County entered into a 20 year lease purchase agreement to finance energy systems modernization at the County's Health and Human Services building. The lease purchase qualified as financing under the County's Qualified Energy Conservation Bond (QECB) allocation, which provides a federal tax subsidy.

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.

## **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.

## **Special Taxing 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 were constructed by developers and acquired by the County at completion for a total cost of \$15.9 million. Special obligation bonds were issued in March 2002. In August 2014 the County issued \$12.02 million of bonds to refund all of the outstanding bonds.

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 \$2.4 million. Special obligation bonds were issued in December 1999. In August 2014 the County issued \$1.4 million of bonds to refund the outstanding 1999 Series bonds.

In October 2010, the County Council terminated the Clarksburg Town Center development district, therefore no bonds were issued and no special taxes or assessments were levied.

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.

In March 2010, the County adopted a new sector plan for the White Flint area of north Bethesda. This smart-growth master plan attempts to transform the area into a pedestrian-friendly, transit-oriented, urban setting that is expected to be a leading economic engine for the County. To successfully implement the sector plan, the County adopted legislation (Bill 50-10, December 2010) to create a new special taxing district in the White Flint area, along with an implementation strategy and a list of the infrastructure necessary to successfully implement that strategy (Resolution No. 16-1570, December 2010). Bill 50-10 creates the White Flint Special Taxing District (Chapter 68C of the County Code) in order to collect ad valorem tax revenues that will provide a stable, reliable and consistent revenue stream to fund the transportation infrastructure improvements identified in the implementation and strategy resolution, by paying for the bonds authorized by the legislation.

## **Linkage to County Result Areas**

While this program area supports all eight of the County Result Areas, the following is emphasized:

 **Not Applicable**

## **Program Contacts**

Contact Jacqueline Carter of the Department of Finance at 240.777.8979 or Christopher Mullin of the Office of Management and Budget at 240.777.2772 for more information regarding this department's operating budget.

## Budget Summary

	Actual FY15	Budget FY16	Estimate FY16	REC FY17	%Chg Bud/Rec
<b>DEBT SERVICE</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Debt Service G.O Bonds	308,090,187	316,819,300	315,024,624	352,370,610	11.2 %
Debt Service Other	24,419,464	31,963,425	27,497,185	30,912,030	-3.3 %
<b>Debt Service Expenditures</b>	<b>332,509,651</b>	<b>348,782,725</b>	<b>342,521,809</b>	<b>383,282,640</b>	<b>9.9 %</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
<b>REVENUES</b>					
Federal Grants	5,956,603	5,853,000	5,853,520	5,591,000	-4.5 %
Investment Income	8,957	0	0	0	—
Miscellaneous Revenues	2,352,252	0	0	0	—
Other Intergovernmental	102,077	0	0	0	—
Premium on General Obligation Bonds	5,236,781	11,488,440	14,998,462	6,942,760	-39.6 %
State Grants	2,823,835	0	0	0	—
<b>Debt Service Revenues</b>	<b>16,480,505</b>	<b>17,341,440</b>	<b>20,851,982</b>	<b>12,533,760</b>	<b>-27.7 %</b>
<b>DEBT SERVICE - NON-TAX SUPPORTED</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Debt Service Other	10,214,799	10,216,360	10,216,360	14,318,210	40.1 %
<b>Debt Service - Non-Tax Supported Expenditures</b>	<b>10,214,799</b>	<b>10,216,360</b>	<b>10,216,360</b>	<b>14,318,210</b>	<b>40.1 %</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
<b>REVENUES</b>					
<b>DEPARTMENT TOTALS</b>					
Total Expenditures	342,724,450	358,999,085	352,738,169	397,600,850	10.8 %
Total Full-Time Positions	0	0	0	0	—
Total Part-Time Positions	0	0	0	0	—
Total FTEs	0.00	0.00	0.00	0.00	—
Total Revenues	16,480,505	17,341,440	20,851,982	12,533,760	-27.7 %



DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT							
	Actual FY14	Actual FY15	Budget FY16	Estimated FY16	Recommended FY17	% Chg Bud/Rec	Rec % GO Bonds
<b>GO BOND DEBT SERVICE EXPENDITURES</b>							
General County	42,875,231	46,989,995	51,742,730	51,666,053	59,184,220		17.1%
Roads & Storm Drains	59,990,819	67,396,632	62,163,950	62,101,823	70,224,060		20.3%
Public Housing	13,562	65,625	258,810	64,050	62,470		0.0%
Parks	9,119,493	9,714,221	8,339,930	8,086,019	8,237,270		2.4%
Public Schools	122,363,519	133,188,736	135,717,510	135,505,954	150,187,650		43.4%
Montgomery College	15,391,009	18,046,881	21,904,420	21,904,420	23,688,760		6.8%
Bond Anticipation Notes/Commercial Paper	428,377	309,534	1,200,000	500,000	2,400,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,574,642	2,099,233	2,500,000	2,500,000	2,500,000		
Cost of Issuance	661,347	897,494	1,183,000	1,183,000	1,203,000		
<b>Total General Fund</b>	<b>253,417,999</b>	<b>278,708,351</b>	<b>285,010,350</b>	<b>283,511,319</b>	<b>317,687,430</b>	<b>11.5%</b>	<b>90.0%</b>
Fire Tax District Fund	7,078,100	8,207,008	7,238,360	7,020,527	7,491,440		2.2%
Mass Transit Fund	8,637,569	11,836,166	17,248,520	17,200,152	18,863,850		5.4%
Recreation Fund	8,893,735	9,338,662	7,322,070	7,292,626	8,327,890		2.4%
<b>Total Tax Supported Other Funds</b>	<b>24,609,404</b>	<b>29,381,836</b>	<b>31,808,950</b>	<b>31,513,305</b>	<b>34,683,180</b>	<b>9.0%</b>	<b>10.0%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>278,027,403</b>	<b>308,090,187</b>	<b>316,819,300</b>	<b>315,024,624</b>	<b>352,370,610</b>	<b>11.2%</b>	<b>100.0%</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>278,027,403</b>	<b>308,090,187</b>	<b>316,819,300</b>	<b>315,024,624</b>	<b>352,370,610</b>	<b>11.2%</b>	<b>100.0%</b>
<b>LONG-TERM LEASE EXPENDITURES</b>							
Revenue Authority - Conference Center	645,334	981,134	985,040	985,040	988,540		
Revenue Authority - HHS Piccard Drive	638,689	391,106	394,400	394,400	395,800		
Revenue Authority - Recreation Pools	1,834,050	1,522,159	1,525,040	1,525,040	1,524,500		
Fire and Rescue Equipment	3,780,600	3,741,600	3,723,200	3,723,200	3,715,800		
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>6,898,673</b>	<b>6,635,999</b>	<b>6,627,680</b>	<b>6,627,680</b>	<b>6,624,640</b>	<b>0.0%</b>	
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>							
Technology Modernization Project	5,659,962	5,659,962	7,310,200	5,660,200	7,294,600		
Libraries System Modernization	-	-	128,500	128,500	128,500		
Ride On Buses	3,802,000	6,625,835	8,396,640	8,253,800	9,138,890		
Public Safety System Modernization	4,373,540	4,373,540	6,990,600	5,327,400	4,907,600		
Fire and Rescue Apparatus	-	-	1,010,200	-	1,010,200		
Fuel Management System	-	-	480,000	480,000	791,600		
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>13,835,502</b>	<b>16,659,337</b>	<b>24,316,140</b>	<b>19,849,900</b>	<b>23,271,390</b>	<b>-4.3%</b>	
<b>OTHER LONG-TERM DEBT</b>							
Silver Spring Music Venue - Tax supported	293,955	294,606	295,105	295,105	290,500		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000		
Qualified Energy Conservation Bond - Tax supported	50,994	429,522	324,500	324,500	325,500		
MHI-HUD Loan - Non-Tax supported	67,729	65,630	63,480	63,480	61,280		
Water Quality Protection Charge Bonds - Non-Tax supported	3,016,160	3,018,850	3,020,250	3,020,250	6,367,900		
MHI - Property Acquisition Fund - Non-Tax supported	4,949,804	7,195,949	7,196,110	7,196,110	7,950,310		
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>8,778,642</b>	<b>11,404,557</b>	<b>11,299,445</b>	<b>11,299,445</b>	<b>15,395,490</b>	<b>36.2%</b>	
<b>DEBT SERVICE EXPENDITURES</b>							
Tax Supported	299,506,527	332,509,651	348,782,725	342,521,809	383,282,640		
Non-Tax Supported - Other Long-term Debt	8,033,693	10,280,429	10,279,840	10,279,840	14,379,490		
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>307,540,220</b>	<b>342,790,080</b>	<b>359,062,565</b>	<b>352,801,649</b>	<b>397,662,130</b>	<b>10.8%</b>	
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>							
General Funds	244,144,296	268,947,012	267,814,910	262,805,857	305,294,670		
Other Interest: Installment Notes, Interest & Penalties	334,924	10,682	-	-	-		
BAN/Commercial Paper Investment Income	95,589	8,957	-	-	-		
Federal Subsidy on General Obligation Bonds	5,808,511	5,846,290	5,707,000	5,707,000	5,450,000		
Premium on General Obligation Bonds	3,088,117	5,236,781	11,488,440	14,998,462	6,942,760		
<b>Total General Fund Sources</b>	<b>253,471,437</b>	<b>280,051,722</b>	<b>285,010,350</b>	<b>283,511,319</b>	<b>317,687,430</b>		
Fire Tax District Funds	7,781,477	7,941,508	7,238,360	7,020,527	7,491,440		
Mass Transit Fund	8,175,611	10,902,479	17,248,520	17,200,152	18,863,850		
Recreation Fund	8,598,881	9,065,412	7,322,070	7,292,626	8,327,890		
<b>Total Other Funding Sources</b>	<b>24,555,969</b>	<b>27,909,399</b>	<b>31,808,950</b>	<b>31,513,305</b>	<b>34,683,180</b>		
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>278,027,406</b>	<b>307,961,121</b>	<b>316,819,300</b>	<b>315,024,624</b>	<b>352,370,610</b>		
<b>NON GO BOND FUNDING SOURCES</b>							
General Funds	12,062,471	12,448,546	16,682,345	13,368,625	14,590,040		
MHI Fund - HUD Loan	67,729	65,630	63,480	63,480	61,280		
Water Quality Protection Fund	3,016,160	3,018,850	3,020,250	3,020,250	6,367,900		
MHI - Property Acquisition Fund	4,949,804	7,195,949	7,196,110	7,196,110	7,950,310		
Federal Subsidy - Qualified Energy Conservation Bond	-	108,313	146,000	146,520	141,000		
Mass Transit Fund	3,802,000	3,802,000	8,396,640	8,253,800	9,138,890		
Recreation Fund	1,834,050	1,522,159	1,525,040	1,525,040	1,524,500		
Fire Tax District Fund	3,780,600	1,400,030	5,213,400	4,203,200	5,517,600		
Energy Savings	-	102,077	-	-	-		
State Grant for Ride On Buses	-	2,823,835	-	-	-		
Fire 2007 Certificates of Participation Closeout	-	2,341,570	-	-	-		
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>29,512,814</b>	<b>34,828,959</b>	<b>42,243,265</b>	<b>37,777,025</b>	<b>45,291,520</b>		
<b>TOTAL FUNDING SOURCES</b>	<b>307,540,220</b>	<b>342,790,080</b>	<b>359,062,565</b>	<b>352,801,649</b>	<b>397,662,130</b>		
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>							
Actual and Estimated Bond Sales	295,000,000	500,000,000	324,500,000	300,000,000	340,000,000		
Council SAG Approved Bond Funded Expenditures	295,000,000	299,500,000	340,000,000	340,000,000	340,000,000		

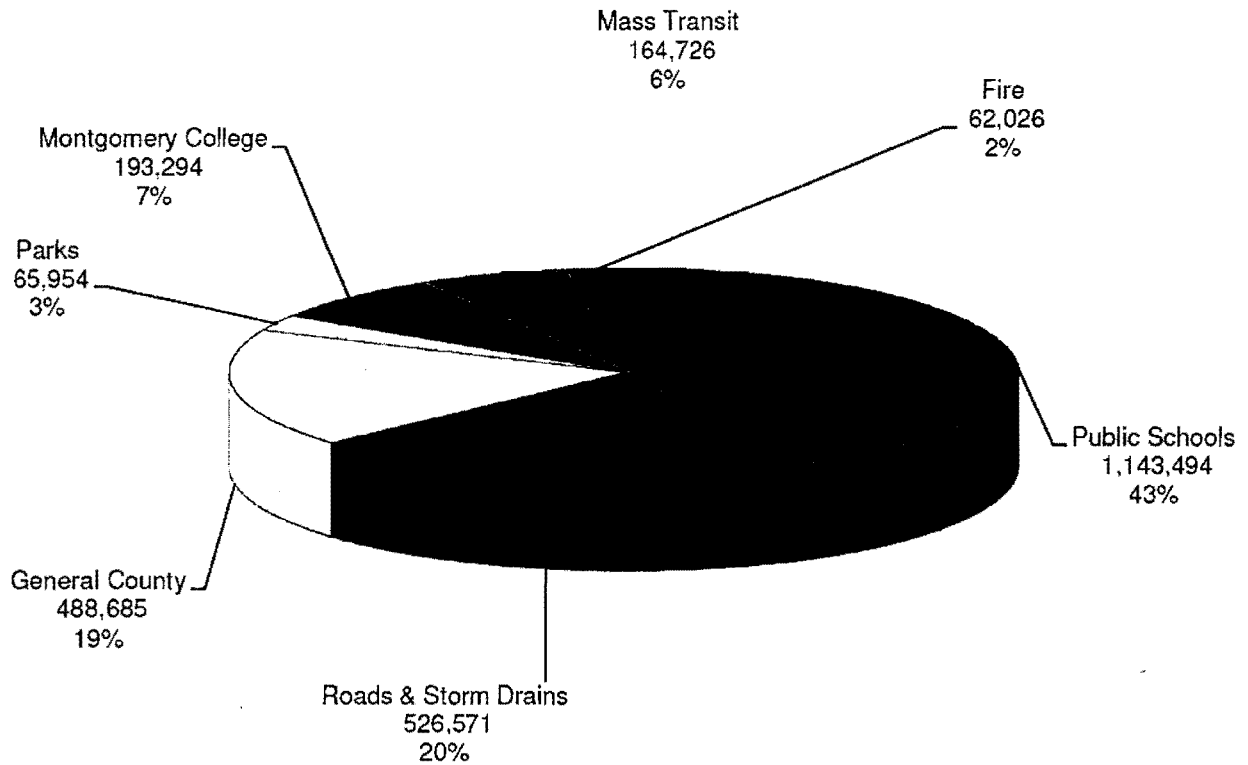
DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT						
	Recommended FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21	Projected FY22
<b>GO BOND DEBT SERVICE EXPENDITURES</b>						
General County	59,184,220	64,383,400	72,296,180	73,919,840	72,860,850	72,222,210
Roads & Storm Drains	70,224,060	73,327,410	76,372,300	82,349,810	89,648,580	98,794,470
Public Housing	62,470	60,730	58,980	57,230	55,480	53,730
Parks	8,237,270	8,915,710	9,404,390	10,215,340	10,943,700	11,530,480
Public Schools	150,187,650	154,262,760	159,483,820	166,166,690	170,262,840	173,381,470
Montgomery College	23,688,740	25,281,110	26,801,450	27,386,680	27,432,680	28,874,350
Bond Anticipation Notes/Commercial Paper	2,400,000	3,400,000	3,950,000	4,500,000	5,050,000	5,800,000
Bond Anticipation Notes/Liquidity & Remarketing	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Cost of Issuance	1,203,000	1,227,000	1,256,000	1,290,000	1,324,000	1,359,000
<b>Total General Fund</b>	<b>317,687,430</b>	<b>333,358,120</b>	<b>352,123,120</b>	<b>368,385,590</b>	<b>380,078,130</b>	<b>394,515,710</b>
Fire Tax District Fund	7,491,440	8,366,570	8,953,040	10,096,760	12,775,670	14,593,080
Mass Transit Fund	18,863,850	19,702,790	20,199,440	21,920,890	25,298,520	25,720,840
Recreation Fund	8,327,890	9,235,980	9,175,070	8,980,870	8,939,860	8,497,730
<b>Total Tax Supported Other Funds</b>	<b>34,683,180</b>	<b>37,305,340</b>	<b>38,327,550</b>	<b>40,998,520</b>	<b>47,014,050</b>	<b>48,811,650</b>
<b>TOTAL TAX SUPPORTED</b>	<b>352,370,610</b>	<b>370,663,460</b>	<b>390,450,670</b>	<b>409,384,110</b>	<b>427,092,180</b>	<b>443,327,360</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>352,370,610</b>	<b>370,663,460</b>	<b>390,450,670</b>	<b>409,384,110</b>	<b>427,092,180</b>	<b>443,327,360</b>
<b>LONG-TERM LEASE EXPENDITURES</b>						
Revenue Authority - Conference Center	988,540	986,640	989,440	991,850	987,710	991,540
Revenue Authority - HHS Piccard Drive	395,800	-	-	-	-	-
Revenue Authority - Recreation Pools	1,524,500	1,526,360	1,525,700	-	-	-
Fire and Rescue Equipment	3,715,800	3,717,900	-	-	-	-
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>6,624,640</b>	<b>6,230,900</b>	<b>2,515,140</b>	<b>991,850</b>	<b>987,710</b>	<b>991,540</b>
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>						
Technology Modernization Project	7,294,600	5,479,000	4,464,500	3,450,000	3,100,000	3,100,000
Libraries System Modernization	128,500	128,500	128,500	128,500	128,500	-
Ride On Buses	9,138,890	6,030,490	6,723,290	6,723,290	6,723,290	4,923,290
Public Safety System Modernization	4,907,600	4,219,800	4,433,800	4,433,800	3,480,000	1,713,000
Fire and Rescue Apparatus	1,010,200	1,700,000	2,625,000	3,196,000	3,664,000	4,071,000
Fuel Management System	791,600	951,600	951,600	951,600	635,800	160,000
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>23,271,390</b>	<b>18,509,390</b>	<b>19,326,690</b>	<b>18,883,190</b>	<b>17,731,590</b>	<b>13,967,290</b>
<b>OTHER LONG-TERM DEBT</b>						
Silver Spring Music Venue - Tax supported	290,500	290,800	291,000	291,000	294,100	292,000
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000	400,000
Qualified Energy Conservation Bond - Tax supported	325,500	326,500	327,000	321,500	321,800	322,100
MHI-HUD Loan - Non-Tax supported	61,280	59,020	56,750	54,400	52,050	49,640
Water Quality Protection Charge Bonds - Non-Tax supported	6,367,900	6,342,250	11,581,960	11,578,400	15,581,650	15,581,900
MHI - Property Acquisition Fund - Non-Tax supported	7,950,310	8,708,010	9,451,510	9,455,600	9,450,460	9,446,660
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>15,395,490</b>	<b>16,126,580</b>	<b>22,108,220</b>	<b>22,100,900</b>	<b>26,100,060</b>	<b>26,092,300</b>
<b>DEBT SERVICE EXPENDITURES</b>						
Tax Supported	383,282,640	396,421,050	413,310,500	430,271,650	446,827,380	459,300,290
Non-Tax Supported - Other Long-term Debt	14,379,490	15,109,280	21,090,220	21,088,400	25,084,160	23,078,200
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>397,662,130</b>	<b>411,530,330</b>	<b>434,400,720</b>	<b>451,360,050</b>	<b>471,911,540</b>	<b>484,378,490</b>
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>						
General Funds	305,294,670	321,215,120	343,710,220	363,515,590	375,438,130	389,845,710
Federal Subsidy on General Obligation Bonds	5,450,000	5,350,000	5,070,000	4,870,000	4,640,000	4,670,000
Premium on General Obligation Bonds	6,942,760	6,793,000	3,342,900	-	-	-
<b>Total General Fund Sources</b>	<b>317,687,430</b>	<b>333,358,120</b>	<b>352,123,120</b>	<b>368,385,590</b>	<b>380,078,130</b>	<b>394,515,710</b>
Fire Tax District Fund	7,491,440	8,366,570	8,953,040	10,096,760	12,775,670	14,593,080
Mass Transit Fund	18,863,850	19,702,790	20,199,440	21,920,890	25,298,520	25,720,840
Recreation Fund	8,327,890	9,235,980	9,175,070	8,980,870	8,939,860	8,497,730
<b>Total Other Funding Sources</b>	<b>34,683,180</b>	<b>37,305,340</b>	<b>38,327,550</b>	<b>40,998,520</b>	<b>47,014,050</b>	<b>48,811,650</b>
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>352,370,610</b>	<b>370,663,460</b>	<b>390,450,670</b>	<b>409,384,110</b>	<b>427,092,180</b>	<b>443,327,360</b>
<b>NON GO BOND FUNDING SOURCES</b>						
General Funds	14,590,040	11,695,240	10,902,640	9,891,150	8,590,110	6,703,640
MHI Fund - HUD Loan	61,280	59,020	56,750	54,400	52,050	49,640
Water Quality Protection Fund	6,367,900	6,342,250	11,581,960	11,578,400	15,581,650	15,581,900
MHI - Property Acquisition Fund	7,950,310	8,708,010	9,451,510	9,455,600	9,450,460	9,446,660
Federal Subsidy - Qualified Energy Conservation Bond	141,000	136,000	131,600	125,500	122,000	115,000
Mass Transit Fund	9,138,890	6,030,490	6,723,290	6,723,290	6,723,290	4,923,290
Recreation Fund	1,524,500	1,526,360	1,525,700	0	-	-
Fire Tax District Fund	5,517,600	6,369,500	3,576,600	4,147,600	4,299,800	4,231,000
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>45,291,520</b>	<b>40,866,870</b>	<b>43,950,050</b>	<b>41,975,940</b>	<b>44,819,360</b>	<b>41,051,130</b>
<b>TOTAL FUNDING SOURCES</b>	<b>397,662,130</b>	<b>411,530,330</b>	<b>434,400,720</b>	<b>451,360,050</b>	<b>471,911,540</b>	<b>484,378,490</b>
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>						
Estimated Bond Sales	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000
Council SAG Approved Bond Funded Expenditures	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000
<b>ESTIMATED INTEREST RATE</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>

**Projected Debt Obligations  
Schedule of Principal & Interest  
FY17 Recommended Budget**

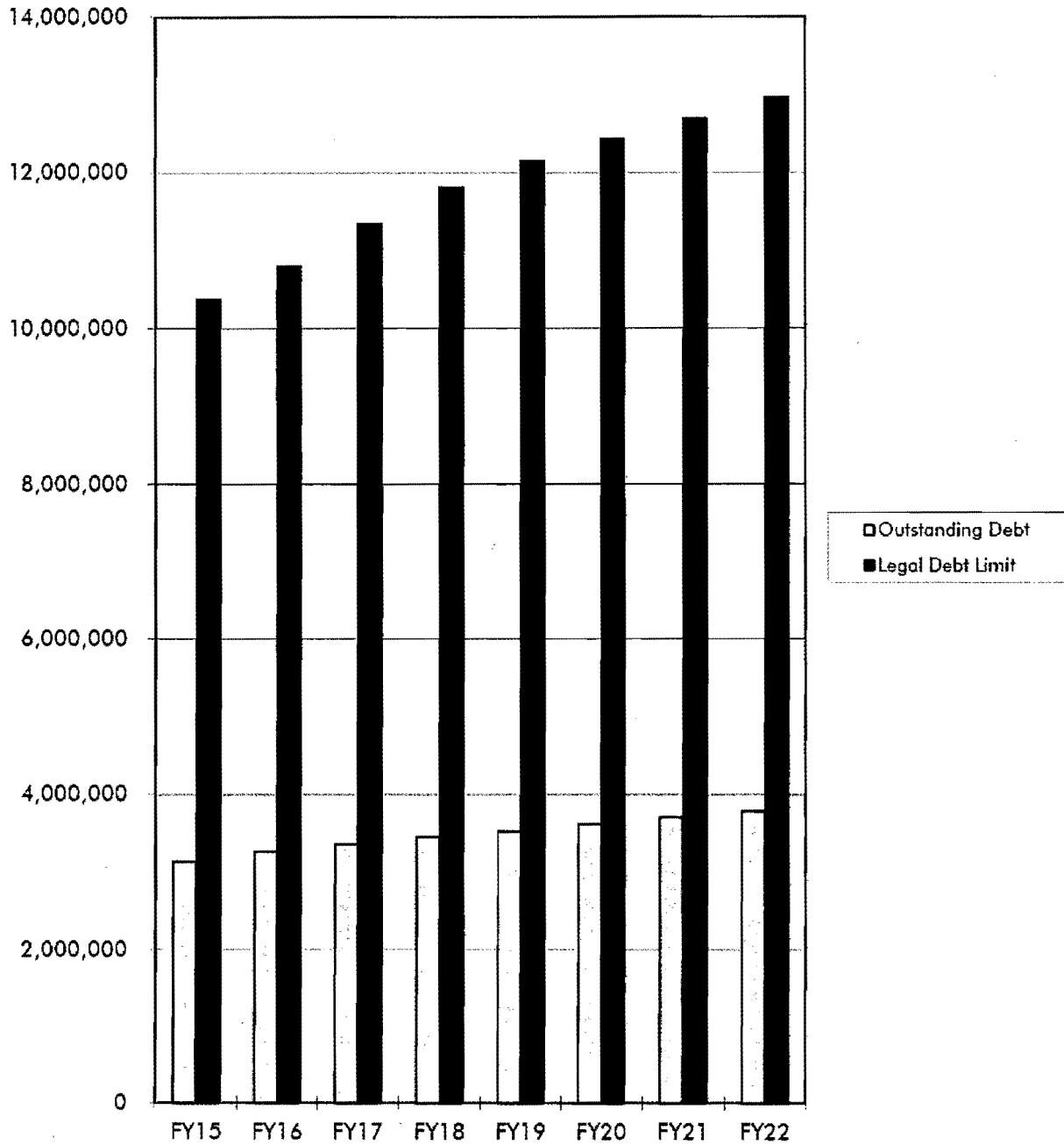
<b>FUND</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Debt Service Fund	252,583,563	145,017,287	397,600,850
Liquor Control (Section 65)	6,058,440	4,874,460	10,932,900
Montgomery Housing Initiative	43,000	18,280	61,280
Bethesda Parking Lot District (Section 46)	3,158,000	1,416,347	4,574,347
<b>Total</b>	<b>261,843,003</b>	<b>151,326,374</b>	<b>413,169,377</b>

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**General Obligation Bonds Outstanding by Bond Category**  
((\$000s))  
**Total \$2,644,750 as of June 30, 2015**



**Outstanding Debt and Legal Debt Limit  
(\$000s)**



**DEBT CAPACITY ANALYSIS****FY17-22 Capital Improvements Program****COUNTY EXECUTIVE RECOMMENDED****MARCH 15, 2016****GO BOND 6 YR TOTAL = 2,040.0 MILLION****GO BOND FY17 TOTAL = 340.0.0 MILLION****GO BOND FY18 TOTAL = 340.0 MILLION**

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
1 GO Bond Guidelines (\$000)	340,000	340,000	340,000	340,000	340,000	340,000	340,000
2 GO Debt/Assessed Value	1.87%	1.84%	1.80%	1.79%	1.80%	1.80%	1.80%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	11.06%	11.56%	11.67%	11.65%	11.79%	11.83%	11.76%
4 \$ Debt/Capita	3,180	3,242	3,295	3,335	3,395	3,449	3,492
5 \$ Real Debt/Capita (FY14=100%)	3,180	3,185	3,164	3,124	3,097	3,063	3,020
6 Capita Debt/Capita Income	3.93%	3.84%	3.76%	3.67%	3.59%	3.51%	3.42%
7 Payout Ratio	67.71%	68.11%	68.56%	69.41%	70.24%	67.98%	65.85%
8 Total Debt Outstanding (\$000s)	3,272,290	3,367,265	3,452,335	3,526,105	3,622,810	3,709,170	3,785,580
9 Real Debt Outstanding (FY14=100%)	3,272,290	3,307,726	3,315,046	3,303,300	3,304,668	3,294,493	3,273,963
10 Note: OP/PSP Growth Assumption (2)		5.2%	2.3%	4.0%	3.3%	3.2%	3.1%

**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 FY16 approved budget to FY17 budget for FY17 and budget to budget for FY18-22.

# GENERAL OBLIGATION BOND ADJUSTMENT CHART

## FY17-22 Capital Improvements Program

### COUNTY EXECUTIVE RECOMMENDED

March 15, 2016

(\$ millions)	6 YEARS	FY17	FY18	FY19	FY20	FY21	FY22
BONDS PLANNED FOR ISSUE	2,040.000	340.000	340.000	340.000	340.000	340.000	340.000
Plus PAYGO Funded	204.000	34.000	34.000	34.000	34.000	34.000	34.000
Adjust for Implementation **	-	-	-	-	-	-	-
Adjust for Future Inflation **	(93.042)	-	-	(9.122)	(18.715)	(28.055)	(37.150)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,150.958	374.000	374.000	364.878	355.285	345.945	336.850
Less Set Aside: Future Projects	215.371	9.640	17.902	28.434	46.840	53.179	59.376
	10.01%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,935.587	364.360	356.098	336.444	308.445	292.766	277.474
MCPS	(690.229)	(143.475)	(130.114)	(139.351)	(107.716)	(96.826)	(72.747)
MONTGOMERY COLLEGE	(130.176)	(23.751)	(33.532)	(15.686)	(10.593)	(16.322)	(30.292)
M-NCPPC PARKS	(61.321)	(9.173)	(9.150)	(11.898)	(10.720)	(11.705)	(8.675)
TRANSPORTATION	(644.768)	(73.840)	(80.969)	(103.254)	(138.009)	(118.271)	(130.425)
MCG - OTHER	(487.690)	(162.560)	(134.148)	(64.598)	(41.407)	(49.642)	(35.335)
Programming Adjustment - Unspent Prior Years*	78.597	48.439	31.815	(1.657)	-	-	-
	-	-	-	-	-	-	-
SUBTOTAL PROGRAMMED EXPENDITURES	(1,935.587)	(364.360)	(356.098)	(336.444)	(308.445)	(292.766)	(277.474)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		1.80%	2.30%	2.50%	2.70%	2.70%	2.70%
Implementation Rate =		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Debt Service Question 1	FY05 Act	FY06 Act	FY07 Act	FY08 Act	FY09 Act	FY10 Act	FY11 Act	FY12 Act	FY13 Act	FY14 Act	FY15 Act
Assessable Base - Real Property	98,281,724,723	110,529,249,116	125,710,776,118	142,306,435,593	158,133,491,472	167,096,843,537	167,790,792,529	162,197,149,758	158,272,830,848	159,891,865,334	163,656,758,206
Assessable Base - Personal Property	3,902,612,110	3,831,629,230	3,948,949,550	3,970,547,370	3,920,171,020	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750	3,709,327,508	3,655,133,210
Legal Debt Limit	6,482,295,300	7,206,499,331	8,134,989,000	9,133,968,241	10,076,035,141	10,644,410,104	10,645,876,345	10,289,670,842	10,037,041,663	10,149,911,046	10,367,675,474
Outstanding GO Debt	1,416,406,439	1,493,888,054	1,612,678,054	1,466,758,054	1,596,561,371	1,769,839,285	1,955,600,000	2,097,290,000	2,249,825,000	2,370,500,000	2,644,750,000
Outstanding Commercial Paper	-	100,000,000	150,000,000	300,000,000	300,000,000	425,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Outstanding (GO + CP)	1,416,406,439	1,593,888,054	1,762,678,054	1,766,758,054	1,896,561,371	2,194,839,285	2,455,600,000	2,597,290,000	2,749,825,000	2,870,500,000	3,144,750,000

Notes:

1. Data is from the FY05-FY15 Annual Information Statements, Table 2. Source is the Department of Finance.



Debt Service Question 1	FY16 Est	FY17 Est	FY18 Est	FY19 Est	FY20 Est	FY21 Est	FY22 Est
Assessable Base - Real Property	170,851,100,000	179,259,900,000	188,299,600,000	195,540,600,000	201,615,500,000	207,860,800,000	215,335,300,000
Assessable Base - Personal Property	3,836,900,000	3,802,800,000	3,771,260,000	3,816,700,000	3,849,700,000	3,900,800,000	3,924,200,000
Legal Debt Limit	10,826,601,000	11,326,014,000	11,863,665,000	12,304,941,000	12,674,385,000	13,056,768,000	13,508,748,000
Outstanding GO Debt	2,772,290,000	2,867,265,000	2,952,335,000	3,026,105,000	3,122,810,000	3,209,170,000	3,285,580,000
Outstanding Commercial Paper	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Outstanding (GO + CP)	3,272,290,000	3,367,265,000	3,452,335,000	3,526,105,000	3,622,810,000	3,709,170,000	3,785,580,000

- Notes:
1. Assessable base data is Finance's February 2016 projection.
  2. Legal Debt Limit assumes 6% of assessed valuation for Real Property and 15% of assessed valuation for Personal Property. This is consistent with actual years.
  3. Outstanding commercial paper is flat lined at the FY15 level for FY16 to FY22. The GO bond debt is projected for FY16 to FY22.

## Montgomery County Government: The Financial Impact of a Downgrade

A credit rating reflects a nationally recognized statistical rating organization's independent opinion of the creditworthiness of an issuer of bonds and the likelihood the issuer will make timely and required debt service payments on outstanding bonds. The question as to the relative costs associated with being downgraded from an AAA rated county is not answered with a simple mathematical calculation. Below, we attempt to both define and quantify the impacts of a downgrade in the County's general obligation bond rating on various components of the County's financial operations, and especially on its borrowing and transaction costs.

Nearly every single financial transaction that the County enters into with a financial institution has some element of risk for that institution and that risk has a price associated with it. So from a more subjective standpoint, a lower rated county pays more for banking services and credit card merchant fees, receives less interest on investments, pays higher lockbox fees, has a less lucrative P-card rebate program, pays higher fees for financial advisors and bond counsel, pays higher underwriting and remarketing fees, etc.

It would be difficult, if not impossible, to quantify all of the additional costs associated with being a lower rated county. Too many subjective and objective attributes are calculated and considered in pricing certain financial services. However, as a triple AAA rated issuer of debt, and one of the top 250 counties in the nation issuing debt, it is highly probable that Montgomery County is paying some of the lowest fees for its financial services and, more importantly, has one of the lowest costs of funds.

It is not difficult to quantify in dollars some of the more obvious differences in higher and lower rated general obligation debt. For example, if the County priced its \$500 million of general obligation bonds sold on November 6, 2014 as an AA+ rated issuer, over the 20-year life of that bond issue, the County would pay approximately \$4.83 million more in interest expense. In the current market the average spread between AAA and AA+ interest rates is about 16 basis points (0.16%). To place this additional cost in the context of the County's 6-year CIP program, if one assumes equal future annual borrowings; debt service would increase by about \$29 million.

The County maintains standby liquidity facilities to back its \$600 million variable rate note programs. These programs include the County's \$500 million commercial paper program (BANs) and its \$100 variable rate demand obligation program. Based on information provided by the County's financial advisor, as an AA+ rated issuer of short-term notes, the County would pay an additional 20 basis points for its lines of credit. In real terms, the additional annual fee would be \$1.2 million. Again, that is an annual fee for programs, which at different amounts, have been in place since 1988.

Typically, debt issued by the County that is "appropriation backed" or not backed by the "full faith and credit of the County" is priced slightly below the County's AAA rated bonds. Appropriation backed debt issues, which would include lease revenue bonds and certificates of participation, are generally rated one to two steps below the County's GO rating, with each step costing approximately 15 basis points in the current market. Therefore, appropriation backed debt now would become AA or AA- rated debt instead of AA+ or AA rated.

## Montgomery County Government: The Financial Impact of a Downgrade

The average basis point spread over the last year between an AA+ bond and an AA bond with a maturity of 10 years is about 11 basis points. The County issued certificates of participation for about \$38 million in December 2013. The certificates were rated AA+, had they been rated AA, the additional debt service cost over the life of the certificates would have been about \$370,000.

Another example of the benefit of the AAA rating is the access to the credit markets. During the historic credit market disruptions of 2008 the County was able to maintain its access to a liquidity facility for its commercial paper program because of its strong credit rating. During this same time period other lower rated municipalities were not able to access the credit markets.

The last few examples of costs associated with being a lower rated county are probably some of the most obvious and expensive examples. Since FY12 the County has been able to save \$82.8 million in long term debt service savings through bond refundings. This level of savings would not have been possible without the County's strong credit rating. The County has a \$70 million master lease program, through which over the last 11 years it has leased various assets such as computer equipment, fire trucks, ambulances, and buses. Without question, the cost of those leases would have been higher if the County had lower ratings. Over the last few decades, the County frequently issued debt that did not fall into the categories described above. The County issued development district bonds, various varieties of revenue bonds, term notes, short term debt for bus, safety apparatus, and equipment financings, and acted as a conduit issuer for not-for-profit borrowers. Suffice it to say, all those terms would have been more costly had the County been lower rated.

Finally, one should remember that a credit rating downgrade has an adverse impact on the price and yield of debt offered in the primary market, but it also has an adverse impact on the price and yield on existing debt in the secondary market. After a credit rating downgrade, the investor who owns a AAA rated County bond, now owns a lower rated security that is worth less than before the credit rating downgrade. Credit rating downgrades, or the perceived risk of a potential credit rating downgrade, are viewed negatively by investors and typically result in lower bond prices and higher interest rates paid by the County.

For decades, the County has enjoyed and benefited from having the highest ratings from all three rating agencies. In the municipal bond market, the name Montgomery County, Maryland is synonymous with the highest quality bonds. County bonds often trade at levels equal in price and yield to similarly rated state bonds. There are only 44 other counties in the United States enjoy AAA ratings from all three rating agencies and only 13 of those have populations greater than 900,000 people. While it is difficult to achieve and maintain that status, from a financial perspective the rewards are voluminous.

*Prepared by: Department of Finance; November 2015*

rating from all three rating agencies. Earlier this month the agencies strongly reaffirmed the AAA rating. Note, however, that Moody's Investor Service included "below average reserves compared to similarly rated entities" on its list of challenges.

From time to time we are asked what the fiscal impact – leaving aside the reputational impact – of a rating agency downgrade would be. **The Finance Department's thorough analysis on ©18-19 confirms the fiscal importance of maintaining a AAA rating.**

**PAYGO.** Resolution No. 17-312 also states: "The County should allocate to the CIP each year as PAYGO [cash] at least 10% of the amount of general obligation bonds planned for issue that year." PAYGO was **\$34.0 million** in FY16 and is currently projected at \$34.0 million annually in FY17-21. **This is another significant draw on revenue.**

**OPEB.** The resolution also refers to OPEB (Other Post-Employment Benefits), including pre-funding for retiree health benefits. While most governments have not met their full annual required contribution, the County reached that goal starting in FY15. (The State has made no OPEB contributions for the past five fiscal years.) The tax supported cost for all agencies in FY16 was **\$108.6 million, another significant draw on revenue.**<sup>8</sup>

### **Cost Drivers Largely Beyond Our Control**

#### **1. Debt service<sup>9</sup>**

As noted above, the table on ©1 shows that debt service represents 7.9% of the FY16 tax supported budget, **\$349 million**, far more than Montgomery College, M-NCPPC, or any department of County Government. The graph on ©10 shows that debt service is projected to rise steadily to **\$452 million** by FY20.

**Compared to most local jurisdictions, the County's capital improvements program (CIP) has been much more robust.** While other counties rarely provide more local funding than is needed to match their State school construction aid, the County is funding 84% of MCPS's FY15-20 CIP with County funds: \$1.3 billion. The County's own \$313 million allocation for road construction is lower than it has been, but it dwarfs that of other jurisdictions in the region. The County also has a significant program to add, replace, or renovate fire stations, police stations, libraries, recreation centers, parks, bridges, hiker-biker trails, and public amenities. In the past two decades it has invested heavily in the campuses of Montgomery College and has substantially increased infrastructure maintenance, from resurfacing to roof and HVAC replacement.

Most of these improvements have been funded by General Obligation (G.O.) bond proceeds. The principal and interest on these bonds, along with payments on short-term and long-term leases,

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<sup>8</sup> Meeting the full annual required contribution for OPEB represents a dramatic turnaround from the recession years. For example, in FY11, when the County's original five-year phase-in schedule called for a \$149 million tax supported contribution, the actual contribution was zero. Starting in FY15, the annual required contribution was sharply reduced when all four agencies implemented the Medicare Part D Employee Group Waiver Program (EGWP). For details, see [http://montgomerycountymd.granicus.com/Viewer.php?view\\_id=6&clip\\_id=9331&meta\\_id=82265](http://montgomerycountymd.granicus.com/Viewer.php?view_id=6&clip_id=9331&meta_id=82265) for the April 28, 2015 Council packet on FY16 compensation and benefits for all agencies, pages 10-12.

<sup>9</sup> See [http://montgomerycountymd.granicus.com/Viewer.php?view\\_id=6&clip\\_id=10180&meta\\_id=88105](http://montgomerycountymd.granicus.com/Viewer.php?view_id=6&clip_id=10180&meta_id=88105) for the September 29, 2015 Council packet on spending affordability guidelines for the FY17 capital budget and the FY17-22 Capital Improvements Program.

are projected to consume more than 12% of General Fund operating revenue over the next few years, much higher than the traditional 10-11% of General Fund revenue. As noted above, debt service consumes about 8% of the operating budget (all funds). Debt per capita, debt/total income, and debt/total assessed value are at historic highs, all well worse than the Council's standards:

	Standard	FY10	FY12	FY14	FY16	FY18	FY20	FY22
Debt/Assessable Base	≤1.5%	1.24%	1.56%	1.76%	1.87%	1.81%	1.78%	1.78%
Debt service % of GF	≤10%	8.75%	10.10%	10.31%	11.06%	12.08%	12.09%	12.38%
Debt/Capita	≤\$2,200	\$2,239	\$2,675	\$2,848	\$3,180	\$3,153	\$3,080	\$3,004
Debt/Income	≤3.5%	3.11%	3.60%	3.71%	3.93%	3.85%	3.77%	3.79%

The values for FY16-22 are extremely poor, especially compared to experience prior to the Great Recession. Debt has normally not exceeded 1.5% of real property value in any year, but the projection is that debt will exceed it in every one of the next six years. The debt/income rate also normally has not exceeded the 3.5% standard, but the projection is that it will be exceeded in all years. The debt/capita standard has been exceeded by a wide margin for many years, exceeding the standard by about 40%. The debt service as a percentage of operating revenue is often above 10%, but rarely above 11%; now the projection is for a ratio above 12% nearly every year. These figures would be even worse, but the Finance Department has proactively issued refunding bonds to take advantage of lower interest rates when they are available.

In October 1992, in the midst of what in retrospect was a much smaller recession than the one experienced during the past few years, the Council approved guidelines that reduced the G.O. bond portion of the CIP from \$810 million to \$600 million – a 26% reduction – while public demands for schools, transportation, and other public facilities were arguably as high as they are now. That course correction set the County's debt service situation on a healthy fiscal path for the next two decades. However, since FY12 the indicators have slipped into uncharted territory, well beyond the standards adopted in the early 1990s.

If there were a property tax increase above the Charter limit in FY17, it would actually have a positive effect on the debt service share of the General Fund in FY17 and beyond, even assuming the property tax would remain at the Charter limit in subsequent years. However, it would do nothing to improve debt/assessed value, debt/capita, and debt/income, which are all largely exogenous to Council decision-making.

There are really only two approaches that would bring these indicators back into a safer range. One is to substantially cut back the size of the CIP, as was done in 1992. The other is to slowly ratchet back the size of the debt-funded CIP – or at least keep it flat – over the next 10 or 12 years. This would allow time for growth in the assessable base, population, and income to catch up to the growth in debt.

# BOND SUMMARY STATISTICS

Montgomery County, MD  
Consolidated Public Improvement Bonds of 2012, Series A

Dated Date	10/24/2012
Delivery Date	10/24/2012
Last Maturity	11/01/2032
Arbitrage Yield	2.105054%
True Interest Cost (TIC)	2.297741%
Net Interest Cost (NIC)	2.433675%
All-In TIC	2.297741%
Average Coupon	3.458031%
Average Life (years)	10.519
Duration of Issue (years)	8.728
Par Amount	295,000,000.00
Bond Proceeds	327,201,167.50
Total Interest	107,310,859.38
Net Interest	75,522,691.88
Total Debt Service	402,310,859.38
Maximum Annual Debt Service	25,996,875.00
Average Annual Debt Service	20,096,005.19
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	1.400000
Total Underwriter's Discount	1.400000
Bid Price	110.775650

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds	295,000,000.00	110.916	3.458%	10.519	191,160.00
	295,000,000.00			10.519	191,160.00

	TIC	All-In TIC	Arbitrage Yield
Par Value	295,000,000.00	295,000,000.00	295,000,000.00
+ Accrued Interest			
+ Premium (Discount)	32,201,167.50	32,201,167.50	32,201,167.50
- Underwriter's Discount	-413,000.00	-413,000.00	
- Cost of Issuance Expense			
- Other Amounts			
Target Value	326,788,167.50	326,788,167.50	327,201,167.50
Target Date	10/24/2012	10/24/2012	10/24/2012
Yield	2.297741%	2.297741%	2.105054%

# BOND PRICING

Montgomery County, MD  
Consolidated Public Improvement Bonds of 2012, Series A

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date for Arb Yield	Call Price for Arb Yield	Premium (-Discount)
Serial Bonds:									
	11/01/2013	14,750,000	5.000%	0.150%	104.938				728,355.00
	11/01/2014	14,750,000	5.000%	0.250%	109.562				1,410,395.00
	11/01/2015	14,750,000	5.000%	0.310%	114.084				2,077,390.00
	11/01/2016	14,750,000	5.000%	0.410%	118.279				2,696,152.50
	11/01/2017	14,750,000	5.000%	0.570%	121.890				3,228,775.00
	11/01/2018	14,750,000	5.250%	0.760%	126.369				3,889,427.50
	11/01/2019	14,750,000	5.000%	1.000%	127.049				3,989,727.50
	11/01/2020	14,750,000	5.000%	1.260%	128.441				4,195,047.50
	11/01/2021	14,750,000	5.000%	1.500%	126.352	C 1.819%	11/01/2020	100.000	3,886,920.00
	11/01/2022	14,750,000	4.000%	1.700%	117.174	C 2.091%	11/01/2020	100.000	2,533,165.00
	11/01/2023	14,750,000	2.500%	2.080%	103.087	C 2.183%	11/01/2020	100.000	455,332.50
	11/01/2024	14,750,000	3.000%	2.410%	104.278	C 2.584%	11/01/2020	100.000	631,005.00
	11/01/2025	14,750,000	3.000%	2.480%	103.760	C 2.656%	11/01/2020	100.000	554,600.00
	11/01/2026	14,750,000	3.000%	2.550%	103.244	C 2.720%	11/01/2020	100.000	478,490.00
	11/01/2027	14,750,000	3.000%	2.620%	102.732	C 2.776%	11/01/2020	100.000	402,970.00
	11/01/2028	14,750,000	3.000%	2.680%	102.295	C 2.821%	11/01/2020	100.000	338,512.50
	11/01/2029	14,750,000	3.000%	2.740%	101.860	C 2.861%			274,350.00
	11/01/2030	14,750,000	3.000%	2.800%	101.427	C 2.898%			210,482.50
	11/01/2031	14,750,000	3.000%	2.860%	100.996	C 2.931%			146,910.00
	11/01/2032	14,750,000	3.000%	2.930%	100.496	C 2.967%			73,160.00
295,000,000									32,201,167.50

EX-13

## BOND SUMMARY STATISTICS

General Obligation Bonds  
Series 2013A Bonds

Dated Date	11/26/2013
Delivery Date	11/26/2013
Last Maturity	11/01/2033
Arbitrage Yield	2.987189%
True Interest Cost (TIC)	3.126961%
Net Interest Cost (NIC)	3.328145%
All-In TIC	3.126961%
Average Coupon	4.308256%
Average Life (years)	10.431
Duration of Issue (years)	8.335
Par Amount	295,000,000.00
Bond Proceeds	325,795,345.00
Total Interest	132,565,625.00
Net Interest	102,407,480.00
Total Debt Service	427,565,625.00
Maximum Annual Debt Service	27,656,250.00
Average Annual Debt Service	21,452,770.03
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	2.160000
Total Underwriter's Discount	2.160000
Bid Price	110.223100

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	295,000,000.00	110.439	4.308%	10.431	218,005.00
	295,000,000.00			10.431	218,005.00

	TIC	All-In TIC	Arbitrage Yield
Par Value	295,000,000.00	295,000,000.00	295,000,000.00
+ Accrued Interest			
+ Premium (Discount)	30,795,345.00	30,795,345.00	30,795,345.00
- Underwriter's Discount	-637,200.00	-637,200.00	
- Cost of Issuance Expense			
- Other Amounts			
Target Value	325,158,145.00	325,158,145.00	325,795,345.00
Target Date	11/26/2013	11/26/2013	11/26/2013
Yield	3.126961%	3.126961%	2.987189%



## BOND PRICING

General Obligation Bonds  
Series 2013A Bonds

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)
Bond Component:									
	11/01/2014	14,750,000	5.000%	0.170%	104.488				661,980.00
	11/01/2015	14,750,000	4.000%	0.324%	107.068				1,042,530.00
	11/01/2016	14,750,000	5.000%	0.470%	113.168				1,942,280.00
	11/01/2017	14,750,000	5.000%	0.750%	116.430				2,423,425.00
	11/01/2018	14,750,000	5.000%	1.130%	118.507				2,729,782.50
	11/01/2019	14,750,000	5.000%	1.510%	119.725				2,909,437.50
	11/01/2020	14,750,000	5.000%	1.910%	119.968				2,945,280.00
	11/01/2021	14,750,000	5.000%	2.230%	120.031				2,954,572.50
	11/01/2022	14,750,000	5.000%	2.430%	120.518				3,026,405.00
	11/01/2023	14,750,000	5.000%	2.620%	120.689				3,051,627.50
	11/01/2024	14,750,000	5.000%	2.780%	119.147 C	2.939%	11/01/2023	100.000	2,824,182.50
	11/01/2025	14,750,000	3.000%	3.100%	99.007				-146,467.50
	11/01/2026	14,750,000	5.000%	3.080%	116.317 C	3.427%	11/01/2023	100.000	2,406,757.50
	11/01/2027	14,750,000	4.000%	3.350%	105.450 C	3.502%	11/01/2023	100.000	803,875.00
	11/01/2028	14,750,000	4.000%	3.570%	103.566 C	3.687%	11/01/2023	100.000	525,985.00
	11/01/2029	14,750,000	4.000%	3.690%	102.555 C	3.785%	11/01/2023	100.000	376,862.50
	11/01/2030	14,750,000	4.000%	3.800%	101.639 C	3.867%	11/01/2023	100.000	241,752.50
	11/01/2031	14,750,000	4.000%	3.890%	100.896 C	3.930%	11/01/2023	100.000	132,160.00
	11/01/2032	14,750,000	4.000%	3.980%	100.160 C	3.988%	11/01/2023	100.000	23,600.00
	11/01/2033	14,750,000	4.000%	4.040%	99.453				-80,682.50
		295,000,000							30,795,345.00

11/13/13

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**DAVENPORT & COMPANY**

SINCE 1863  
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**BOND SUMMARY STATISTICS**

Montgomery County, Maryland  
New Money Series  
Final Numbers  
Citi

Dated Date	11/19/2014
Delivery Date	11/19/2014
Last Maturity	11/01/2034
Arbitrage Yield	2.243705%
True Interest Cost (TIC)	2.744475%
Net Interest Cost (NIC)	3.031278%
All-In TIC	2.744475%
Average Coupon	4.570574%
Average Life (years)	10.450
Duration of Issue (years)	8.422
Par Amount	500,000,000.00
Bond Proceeds	581,853,250.00
Total Interest	238,812,500.00
Net Interest	158,384,250.00
Total Debt Service	738,812,500.00
Maximum Annual Debt Service	48,125,000.00
Average Annual Debt Service	37,033,208.02
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	2.850000
Total Underwriter's Discount	2.850000
Bid Price	116.085650

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	500,000,000.00	116.371	4.571%	10.450
	500,000,000.00			10.450

	TIC	All-In TIC	Arbitrage Yield
Par Value	500,000,000.00	500,000,000.00	500,000,000.00
+ Accrued Interest			
+ Premium (Discount)	81,853,250.00	81,853,250.00	81,853,250.00
- Underwriter's Discount	-1,425,000.00	-1,425,000.00	
- Cost of Issuance Expense			
- Other Amounts			
Target Value	580,428,250.00	580,428,250.00	581,853,250.00
Target Date	11/19/2014	11/19/2014	11/19/2014
Yield	2.744475%	2.744475%	2.243705%

**DAVENPORT & COMPANY**  
 SINCE 1863

MEMBER NYSE • FINRA • SIPC

**BOND PRICING**
 Montgomery County, Maryland  
 New Money Series  
 Final Numbers  
 Citi

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Call Date for Arb Yield	Call Price for Arb Yield
Bond Component:										
	11/01/2015	25,000,000	5.000%	0.160%	104.592					
	11/01/2016	25,000,000	5.000%	0.380%	108.967					
	11/01/2017	25,000,000	5.000%	0.620%	112.783					
	11/01/2018	25,000,000	5.000%	0.880%	115.959					
	11/01/2019	25,000,000	5.000%	1.150%	118.473					
	11/01/2020	25,000,000	5.000%	1.440%	120.229					
	11/01/2021	25,000,000	5.000%	1.750%	121.179					
	11/01/2022	25,000,000	5.000%	1.970%	122.195					
	11/01/2023	25,000,000	5.000%	2.090%	123.640					
	11/01/2024	25,000,000	5.000%	2.200%	124.898					
	11/01/2025	25,000,000	5.000%	2.310%	123.789 C	2.503%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2026	25,000,000	5.000%	2.410%	122.790 C	2.749%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2027	25,000,000	5.000%	2.480%	122.097 C	2.936%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2028	25,000,000	5.000%	2.530%	121.605 C	3.083%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2029	25,000,000	5.000%	2.580%	121.116 C	3.210%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2030	25,000,000	4.000%	2.880%	109.628 C	3.223%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2031	25,000,000	4.000%	2.930%	109.175 C	3.289%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2032	25,000,000	4.000%	2.980%	108.725 C	3.349%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2033	25,000,000	4.000%	3.060%	108.009 C	3.422%	11/01/2024	100.000	11/01/2024	100.000
	11/01/2034	25,000,000	4.000%	3.110%	107.564 C	3.471%	11/01/2024	100.000	11/01/2024	100.000
		500,000,000								

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## BOND SUMMARY STATISTICS

Montgomery County, MD  
2015 Consolidated Public Improvement Bonds  
Final Numbers - November 18, 2015

Dated Date	12/01/2015
Delivery Date	12/01/2015
Last Maturity	12/01/2035
Arbitrage Yield	2.599474%
True Interest Cost (TIC)	2.803574%
Net Interest Cost (NIC)	2.943224%
All-In TIC	2.803574%
Average Coupon	3.764286%
Average Life (years)	10.500
Duration of Issue (years)	8.545
Par Amount	300,000,000.00
Bond Proceeds	326,706,450.00
Total Interest	118,575,000.00
Net Interest	92,711,550.00
Total Debt Service	418,575,000.00
Maximum Annual Debt Service	27,000,000.00
Average Annual Debt Service	20,928,750.00
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	2.810000
Total Underwriter's Discount	2.810000
Bid Price	108.621150

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	300,000,000.00	108.902	3.764%	10.500
	300,000,000.00			10.500

	TIC	All-In TIC	Arbitrage Yield
Par Value	300,000,000.00	300,000,000.00	300,000,000.00
+ Accrued Interest			
+ Premium (Discount)	26,706,450.00	26,706,450.00	26,706,450.00
- Underwriter's Discount	-843,000.00	-843,000.00	
- Cost of Issuance Expense			
- Other Amounts			
Target Value	325,863,450.00	325,863,450.00	326,706,450.00
Target Date	12/01/2015	12/01/2015	12/01/2015
Yield	2.803574%	2.803574%	2.599474%

FY16

## BOND PRICING

Montgomery County, MD  
 2015 Consolidated Public Improvement Bonds  
 Final Numbers - November 18, 2015

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	12/01/2016	15,000,000	5.000%	0.300%	104.689
	12/01/2017	15,000,000	5.000%	0.730%	108.462
	12/01/2018	15,000,000	5.000%	0.930%	112.013
	12/01/2019	15,000,000	5.000%	1.100%	115.220
	12/01/2020	15,000,000	5.000%	1.310%	117.802
	12/01/2021	15,000,000	5.000%	1.530%	119.820
	12/01/2022	15,000,000	5.000%	1.710%	121.618
	12/01/2023	15,000,000	5.000%	1.900%	122.906
	12/01/2024	15,000,000	5.000%	2.030%	121.829 C
	12/01/2025	15,000,000	4.000%	2.140%	113.609 C
	12/01/2026	15,000,000	3.000%	2.540%	103.311 C
	12/01/2027	15,000,000	3.000%	2.720%	102.000 C
	12/01/2028	15,000,000	3.000%	2.890%	100.780 C
	12/01/2029	15,000,000	3.000%	3.000%	100.000
	12/01/2030	15,000,000	4.000%	2.950%	107.433 C
	12/01/2031	15,000,000	3.000%	3.150%	98.126
	12/01/2032	15,000,000	4.000%	3.170%	105.824 C
	12/01/2033	15,000,000	3.250%	3.350%	98.656
	12/01/2034	15,000,000	4.000%	3.170%	105.824 C
	12/01/2035	15,000,000	3.250%	3.380%	98.121
		300,000,000			

Dated Date 12/01/2015  
 Delivery Date 12/01/2015  
 First Coupon 06/01/2016

Par Amount 300,000,000.00  
 Premium 26,706,450.00

Production 326,706,450.00 108.902150%  
 Underwriter's Discount -843,000.00 -0.281000%

Purchase Price 325,863,450.00 108.621150%  
 Accrued Interest

Net Proceeds 325,863,450.00