GO COMMITTEE #1
January 30, 2012

MEMORANDUM

January 26, 2012

TO: Government Operations & Fiscal Policy Committee

GO

FROM: Glenn Orlin, Deputy Council Staff Director

SUBJECT: Spending affordability guidelines for the FY13-18 Capital Improvements Program, and other CIP revenue assumptions

The objective for this worksession is for the Committee to review the spending affordability guidelines for the FY13-18 CIP and the set of associated CIP assumptions. The Committee will prepare its recommendations for the Council's review on February 7, the deadline for the Council either to confirm or amend guidelines. According to County Code Section 20-56(c)(4), any February revision is supposed to "reflect a significant change in conditions" (©3). After February 7 the Council can adopt an aggregate capital budget that has expenditures that exceed the guidelines, but only with seven or more affirmative votes. The section of the Code describing this process is on ©1-3.

I. GENERAL OBLIGATION BONDS

1. Council approved guidelines and targets. The General Obligation (G.O.) bond spending affordability guidelines and targets approved for the FY13-18 CIP on October 4, 2011 were $295 million in each year and $1.77 billion for the six-year period.

The current guidelines apply to FY13, FY14, and the FY13-18 period. The guidelines can be amended by a simple majority of Councilmembers present. The County Code restricts any increase to the first-year or the second-year guideline to 10% over the previously set amount. Since the current G.O. bond guideline for FY13 is $295 million, the Council cannot raise it by more than $29.5 million (to $324.5 million). The same is true for the FY14 guideline. The Council can raise or lower the FY13-18 guideline as high or low as it wishes.

The G.O. bond adjustment chart reflecting the Executive's January 17, 2012 recommendations is on ©4, which is to retain these guidelines. Table 1 displays the spending affordability guidelines and targets in recent CIPs and in the Executive's January 17 recommendations ('**FY13-18 Rec**'):

Table 1: General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	6-Yr
FY05-10	190	190	190	190									1,140
FY05-10 Am	200	200	200	200									1,218
FY07-12	264	264	264	226	220	220							1,458
FY07-12 Am	275	275	275	275	275	275							1,650
FY09-14			300	300	300	300	300	300					1,800
FY09-14 Am			300	310	315	325	290	300					1,840
FY11-16					325	325	325	325	325	325			1,950
FY11-16 Am					320	310	320	320	320	320			1,910
FY13-18 Rec							**295**	**295**	**295**	**295**	**295**	**295**	**1,770**

To assist in determining debt capacity—how much debt the County can afford—the Committee and Council rely in part on the debt capacity analysis charts that show the value of various indicators of debt affordability at various levels of debt over the next six years. The indicators are:

1. Total debt should not exceed 1.5% of full market value of taxable real property.
2. The sum of debt service and long-term and short-term lease payments should not exceed 10% of General Fund revenue.
3. Real debt per capita should not exceed $1,000 by a "significant" amount. As a working definition of this indicator, the Council should assume that real debt per capita should not exceed $2,000 in FY13 dollars.
4. The ratio of debt to income should not exceed 3.5%.
5. 60-75% of the debt at the beginning of any period should be paid off within ten years.

The Department of Finance has updated the assumptions and inputs for the bond interest rate, operating revenue growth, population growth, inflation, the assessable base and total personal income. A comparison of the assumptions and inputs is on ©5:

- The annual interest rates on bonds are assumed to *increase by 50 to 80 basis points: 10-16%.*
- The growth in General Fund revenue in FY13 is anticipated to be *somewhat higher*, but still at a very low 1.2% above the FY12 level. However, the General Fund revenue growth in FYs14-18 is expected to be *somewhat lower* than last summer's projections: 2.8% (instead of 3.5%) in FY14; 3.5% (instead of 3.8%) in FY15; 3.1% (instead of 4.1%) in FY16; 3.2% (instead of 3.6%) in FY17; and 3.0% (instead of 3.6%) in FY18.
- The population forecasts, by year, are *unchanged.*
- The annual inflation rates are forecast to be *marginally lower* in FY13 and *somewhat lower* in FYs14-18. The projection of interest rates on bonds follows this same pattern.
- Except in FY13, when there virtually is no change, the countywide assessable base is projected to decline marginally in each of the next several years. *However, this projection was prepared prior to the report of much lower assessments in Group 3. Finance's next projection for countywide assessable base will be significantly lower.*
- Countywide personal income is now projected to grow *a bit slower* than before.

Council staff requested the Office of Management and Budget (OMB) to perform debt capacity analyses, using the new input assumptions, for the same five scenarios developed last fall: $290 million annually (©6); $295 million annually—the current guidelines and the Executive's recommendation (©7); $300 million annually (©8); $310 million annually (©9); and $320 million annually—the level assumed in the Amended FY11-16 CIP for FYs 13-16 (©10). Compare these charts to the debt capacity analysis of the $295 million scenario performed last fall (©11). Because the economic assumptions and inputs used now are a bit less optimistic than those used in last year, the values in the debt capacity analysis chart are generally worse:

- For debt/assessed value (Line 2): the new $290 million/year scenario produces results most similar to last fall's $295 million scenario. Even at $290 million, the debt/assessed value fails to meet the 1.5% standard in each year. With Finance's next projection of assessed value, the results will be demonstrably worse.
- For debt service + long-term and short-term lease payments/General Fund revenue (Line 3): the new $295 million/year scenario produces results most similar to last fall's $295 million scenario. Even so, this indicator fails to meet the 10% standard by a wide margin, and for most years it is in the 11-12% range. Also note that the new scenario for $310 million exceeds 12% by FY18, and the new scenario for $320 million exceeds 12% by FY17.
- For real debt/capita (Line 5): the new $290 million/year scenario produces results most similar to last fall's $295 million scenario. All scenarios fail the $2,000/capita standard by more than 30% in every year.
- For debt/income (Line 6): the new $290 million/year scenario produces results most similar to last fall's $295 million scenario. The new scenario $290 million scenario fails the 3.50% standard only in FY13; the other scenarios fail in both FY13 and FY14, except that the $320 million scenario fails in FYs13-15.

These changes suggest that the spending affordability guidelines should be not be increased, and a strong argument can be made that they should be reduced.

Council staff recommendation: Either reduce the guidelines to $290 million/year and $1.74 billion for FY13-18 (©6), or retain them at $295 million/year and $1.77 billion for FY13-18 (©7).

*2. **Implementation ('overbooking') rates.*** The implementation rate for a given year is the total amount of spending in that year divided by the amount of expenditures initially programmed for that year. An implementation rate is actually a mixture of three factors: the degree to which programmed expenditures in a year are actually spent in that year; the degree to which programmed expenditures from a previous year are lapsed into a subsequent year; and the degree to which the Council approves supplemental and special appropriations which result in additional spending. The implementation rate allows the Council to 'overbook' the CIP to some degree, knowing that not all the funds programmed will actually be spent. The implementation rate assumed in the FY11-16 CIP amended in May was 85.7% for FYs12-16. This means that the Council overbooked G.O. bond-funded funding in the Amended CIP in those years by about 16.7%, or about one-sixth (1.00/.857=1.1668611...).

Council staff has asked OMB to calculate the implementation rate for each agency for the last full fiscal year for General Obligation Bond proceeds, and to array these rates against those of the prior four years. The calculations are on ©12. A summary of the results is below:

Table 2: Implementation Rates by Program and Year for G.O. Bond Funds (nearest %)

	FY07	FY08	FY09	FY10	FY11	5yr avg
MCPS	74	104	104	85	..78	**89**
Mont. College	50	100	52	64	48	**63**
Parks	78	91	50	128	70	**83**
Transportation	66	96	95	79	155	**98**
MCG-Other	40	59	64	70	61	**59**
TOTAL	**64**	**94**	**87**	**79**	**87**	**82**

Since rates can fluctuate widely from one year to the next strictly due to the experience on a few large projects or even based on when bills happen to be paid, the best indicator for the future forecast of implementation rates is a multi-year average, not the rate from a particular year. Here are the overall implementation rates over the past 15 years:

Table 3: Recent History of Implementation Rates for G.O. Bonds

FY97	93.51%
FY98	98.15%
FY99	93.56%
FY00	83.29%
FY01	115.14%
FY02	87.18%
FY03	95.31%
FY04	91.17%
FY05	70.11%
FY06	103.86%
FY07	64.37%
FY08	94.42%
FY09	86.92%
FY10	78.81%
FY11	87.13%

The average implementation rate across agencies over the past five years has been 82.33%. For the past several years the Executive and Council generally have adhered to whatever the average implementation rate has been over the prior five years, and so the Executive assumes an 82.33% implementation rate for each year of the new CIP. This would allow G.O. bond spending in the CIP to be overbooked by about 21.5% annually (1.00/0.8233 = 1.2146…), or about $361.8 million overall.

As it happens, using the past five-year average produces the lowest value, which is due to the extremely low rate of 64.37% experienced in FY07, five years ago. Instead:

- if the average rate were based on the three middle values—i.e., not counting the lowest rate (FY07) and the highest rate (FY08) during this period—then the average would be 84.3%.
- if the average rate were based on the past 10 years, then the value would be 85.9%.
- if the average rate were based on the last 10 years, but not counting the highest and lowest years during that period (FY06 and FY07, respectively), the average would be 86.4%.
- if the average rate were based on the past 15 years, then the value would be 89.5%.
- if the average rate were based on the last 15 years, but not counting the highest and lowest years during that period (FY01 and FY07, respectively), the average would also be 89.5%.

The risk in picking an implementation rate that is too low is that the County will have to issue more bonds to cover the over-spending (which defeats the purpose of the guidelines), backfill with General Fund cash reserves, and/or affirmatively slow down spending that the Council has approved. A slowdown would be managed by OMB in directives to County Government departments and pleas to the outside agencies. In the latter circumstance, it is easy to predict that County Government projects would have to absorb a disproportionate share of such a slowdown.

Council staff concurs with using the 82.33% rate for this CIP review. The Executive's recommendation is consistent with the recent practice for setting the rate, but it does carry with it the likely possibility that the CIP will be overbooked too much, with the consequences noted above. In the future the Council and Executive should consult several multi-year averages—such as those noted above—before setting an implementation rate assumption looking forward.

*3. **Inflation rates.*** The inflation rates in the adjustment charts are not supposed to measure construction cost inflation, but general inflation: they are a means of translating the general value of the annual bond guidelines and targets so that they can be compared against aggregate CIP expenditures, which are expressed in constant dollars. The Department of Finance takes the lead in developing inflation forecasts. Finance is now assuming the annual inflation rates to be 0.2% lower in FY13, 0.4% lower in FYs14-15, 0.7% lower in FY16, and 0.9% lower in FYs17-18.

Finance often updates these assumptions during the winter based on more recent trends, in preparation for the Executive's Recommended Operating Budget and Public Services Program (PSP). The Council uses the same rates in the CIP as in the PSP. **When the updated rates are available Council staff will report their effect on the funds available for programming.** Table 4 shows the inflation assumptions used in the recently approved CIPs and the Recommended CIP ('**FY13-18 Rec**'):

Table 4: Inflation Assumptions in Recent CIPs (%)

CIP	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
FY09-14	2.80	2.70	2.65	2.60	2.55	2.50				
FY09-14 Am	2.80	2.70	2.80	2.50	2.50	2.50				
FY11-16			2.10	2.25	2.45	2.60	2.80	3.00		
FY11-16 Am			2.10	2.40	2.70	3.00	3.20	3.40		
FY13-18 Rec					**2.50**	**2.60**	**2.80**	**2.70**	**2.70**	**2.70**

*4. **Set-aside for bond-funded projects.*** In building the CIP the Council has always set aside some funding capacity to cover anticipated and unanticipated contingencies. The set-asides will be needed for: (1) the design, land acquisition, and construction cost of projects currently in facility planning, whether they be roads, schools, or anything else; (2) the inevitable cost increases that occur once more is known about the scope of projects and the problems that must be overcome to deliver them; and (3) the one-time needs or opportunities that cannot be foreseen. The set-asides in prior CIPs are shown in Table 5, and the Executive's latest recommendations are in **bold type**:

Table 5: Capital Set-Asides for General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	6-Yr	%
FY07-12	16.1	38.3	87.0	104.3							269.2	15.9
FY07-12 Am	16.6	19.6	72.5	112.4							240.9	12.5
FY09-14	15.3	18.0	30.2	53.5	97.6	98.2					312.8	15.0
FY09-14 Am	-	13.8	19.9	20.5	62.3	51.3					167.8	7.9
FY11-16			12.4	12.6	16.4	26.2	49.7	87.7			205.0	8.6
FY11-16 Am			2.6	13.0	17.9	20.5	25.3	65.7			145.0	6.4
FY13-18 Rec					**9.4**	**14.5**	**20.0**	**30.1**	**50.1**	**60.0**	**184.1**	**8.3**

The traditional pattern for set-asides—through the CIP approved in May 2008 (the FY09-14 CIP)—was that a full CIP reserved about 15% of available funding, and that an Amended CIP reserved a lesser percentage, since it is essentially only a 5-year CIP. This pattern of reserves has served the County well over the past two decades, allowing for growth in the cost of projects already in the CIP and a fiscal placeholder for some projects in facility planning to be funded for construction in the subsequent CIP.

However, the set-aside in the Amended CIP approved in May 2009 (7.9%) was only about half the size of the normal reserve, as was the set-aside in the CIP approved in May 2010 (8.6%). The reserves in each of the last two cycles have edged down even lower: 6.4% for the Amended CIP approved last May, and 8.3% for Executive's Recommended FY13-18 CIP. Should the Council accept the Executive's recommended set-asides, it should do so with the knowledge that it leaves far less capability to fund future cost increases on existing projects or new projects now in facility planning.

II. PAYGO, RECORDATION TAXES, AND IMPACT TAXES

*1. **PAYGO.*** Typically the CIP dedicates a certain amount of current revenue as an offset against bond expenditures, also called PAYGO. The County policy starting in FY08 was to peg the amount of PAYGO in a year to at least 10% of the G.O. bond guideline or target for that year. In FYs09-11 the Executive and Council did not adhere to this policy for the budget year, as this form of current revenue was needed for the Operating Budget in those years. The Council did follow the policy in FY12, though.

The PAYGO assumptions in recent CIPs are in Table 6. The Executive's recommendation is to continue fund PAYGO at $29.5 million, 10% of his recommend G.O. bond spending level of $295 million annually. The PAYGO programmed in the last few CIPs are shown in Table 6, with the Executive's recommendations displayed in **bold type**:

<u>Table 6</u>: 'Regular' PAYGO Assumptions in Recent CIPs ($ millions)

CIP	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	6-Yr
FY07-12	26.4	41.4	44.0	33.0	22.0	22.0							188.8
FY07-12 Am	27.5	27.5	44.0	33.0	27.5	27.5							187.0
FY09-14 Rec			5.4	30.0	30.0	30.0	30.0	30.0					155.4
FY09-14 Am			5.4	1.3	31.5	32.5	29.0	30.0					129.7
FY11-16					0.0	32.5	32.5	32.5	32.5	32.5			162.5
FY11-16 Am					0.0	31.0	32.5	32.5	32.5	32.5			161.0
FY13-18 Rec							**29.5**	**29.5**	**29.5**	**29.5**	**29.5**	**29.5**	**177.0**

Council staff concurs that PAYGO should be set at 10% of whatever G.O. bond level is selected. Therefore, if the Council selects a different set of guidelines and targets than the Executive, then PAYGO should be set at 10% of those levels.

*2. **Recordation tax revenue.*** In 2002 the Council approved an increase to the County's recordation tax. The proceeds from this increment are to be used to supplement capital funding for any MCPS project or Montgomery College information technology project. These funds are essentially types of PAYGO and Current Revenue.

Five years ago the Council amended the recordation tax to increase the rate by $3.10/$1,000 (i.e., 0.31%) for the amount of value of a transaction greater than $500,000. Half of the incremental revenue is dedicated to rental assistance programs and half to County Government capital projects (e.g., roads, libraries, police and fire stations). This has been called the Recordation Tax Premium.

The Council approved legislation that allowed funds from both forms of the recordation tax to be used for the Operating Budget in FY11 and FY12, so far less of these funds were made available to the CIP in those years. These provisions sunset starting in FY13, so unless the Council adopts legislation to the contrary, revenues collected from the School Increment and the Premium will return to their originally intended uses for the upcoming CIP period.

Revenue from the School Recordation Tax Increment rose steadily from FY03 to FY06, but it declined in FY07 and generally it has continued to decline:

<u>Table 7</u>: Past Revenue from the 'School Increment' of the Recordation Tax

FY03	$23,199,460
FY04	33,857,701
FY05	39,684,570
FY06	44,860,925
FY07	32,738,324
FY08	25,247,523
FY09	18,246,176
FY10	18,467,992

Finance has scaled back its revenue projections for the School Increment, assuming a rebound in recordation activity, but at a slower rate. The comparison of the current and proposed assumptions is displayed below:

Table 8: Revenue Assumptions for the Recordation Tax 'School Increment' ($000)

CIP	FY13	FY14	FY15	FY16	FY17	FY18
FY11-16 Am	26,574	28,828	31,082	32,675	-	-
FY13-18 Rec	**19,843**	**25,570**	**26,830**	**29,237**	**31,527**	**33,114**

On December 14 the Department of Finance provided documentation of its updated revenue estimates through FY18 (see ©13). The recordation tax estimates for both the School Increment and the Premium are consistent with the amounts programmed by the Executive, except that the revenue forecast for the School Increment in FY13 is about $24,480,000, or $4,637,000 higher than what the Executive recommends programming.

Council staff concurs with the Executive's assumptions for the School Increment, except to raise the revenue available in FY13 to $24,480,000: $4,637,000 higher than the Executive's assumption.

Revenue from the Recordation Tax Premium was $5,231,000 in FY09 and was $4,094,000 in FY10. Again, this represents half of the collections from the Premium; the other half is allocated to funding rental assistance programs. Consistent with the School Increment, Finance is projecting a somewhat slower growth in Premium collections over the next several years, but with a bit of a drop-off in FYs17-18. The comparison of the current and proposed assumptions is displayed below:

Table 9: CIP Revenue Assumptions from the Recordation Tax Premium ($000)

CIP	FY13	FY14	FY15	FY16	FY17	FY18
FY11-16 Am	4,677	5,254	5,650	6,120		
FY13-18 Rec	**4,416**	**4,810**	**5,180**	**5,621**	**4,797**	**4,950**

Council staff concurs with the Executive's assumptions for the Recordation Tax Premium.

*3. **Impact taxes.*** For several years revenue from impact taxes was overestimated, leading to the need to supplant impact tax revenue with General Fund advances which ultimately are reimbursed with funds that otherwise could be used for other projects in the CIP. Starting with the Approved FY11-16 CIP, the Council initiated the practice of assuming conservative revenue estimates for impact taxes. At CIP Reconciliation, if actual revenue proved to be somewhat higher, the Council was be in the happier position to program the additional amount.

However, the estimates the Executive is now recommending to assume from the School Impact Tax returns to the more bullish assumption about housing growth, starting in FY14—a 54% increase over FY13:

Table 10: School Impact Tax Revenue Estimates ($000)

	FY13	FY14	FY15	FY16	FY17	FY18
FY11-16	8,890	9,520	10,000	10,650		
FY11-16 Am	10,890	11,520	12,100	13,350		
FY13-18 Rec	**11,711**	**18,031**	**18,258**	**20,622**	**20,355**	**23,136**

The forecast in the Recommended CIP comes from the joint Finance/Council staff forecasts last fall that were prepared in analyzing policy options under Bill 26-11. Several forecasts had been prepared: a 2-year sunset (proposed by the Executive), a 5-year sunset (proposed by the GO Committee), and no sunset (the option ultimately adopted by the Council), all against a Baseline option, which assumed no bill at all (see the cover memo for the November 1, 2011 Council packet, ©14-19). The Executive Branch's forecast in Table 10 above, however, in insufficient in two ways:

(1) The Recommended CIP's revenue string is associated with the 5-year sunset option, which was not adopted.
(2) More importantly, all the revenue strings developed for Bill 26-11 were "pure" forecasts of revenue, not the more conservative revenue strings that have recently been used for programming the past few years.

In the School Impact Tax tables on ©18 and ©19, compare the "Baseline" forecast to the "Now Programmed" figures for any given year: the "Now Programmed" figure is about 30% lower than the "Baseline." The approach consistent with recent programming practice, therefore, would be anticipate revenue equal to about 30% less than the "Bill 26-11" estimate in those tables.

Council staff recommendation: Use the following estimates for School Impact Tax revenue. This would be a $39,196,000 reduction from what is assumed in the Recommended CIP.

Table 11: School Impact Tax – Council Staff Recommendation ($000)

	FY13	FY14	FY15	FY16	FY17	FY18	6 Yr.
FY13-18 Rec	11,711	18,031	18,258	20,622	20,355	23,136	112,113
Council staff	**11,078**	**10,490**	**12,250**	**12,410**	**12,774**	**13,915**	**72,917**

The Executive Branch made the same set of assumptions for the Transportation Impact Tax. However, these revenues are already assumed to be lower, generally, than in corresponding years in the FY11-16 CIP. Revenue from this tax is very difficult to predict due to when credits are cashed in.

Table 12: Transportation Impact Tax Revenue Estimates ($000)

	FY13	FY14	FY15	FY16	FY17	FY18
FY11-16	4,950	5,080	5,120	5,310		
FY11-16 Am	4,373	4,080	4,120	4,410		
FY13-18 Rec	**2,839**	**3,756**	**3,727**	**4,712**	**4,006**	**4.193**

Council staff concurs with the Executive's Transportation Impact Tax forecast.

III. STATE SCHOOL CONSTRUCTION AID

The CIP approved last May estimated $40 million of State school construction aid for FYs13-16. The Executive recommends continuing to use this assumption, and extending it through FYs17-18. The Board of Education is also relying on at least this amount to fund its request. **Council staff recommends using the Executive's estimates for now.** The Education Committee will evaluate these estimates further during its review of the BOE's CIP request.

IV. CURRENT REVENUE

The Executive's proposed Current Revenue Adjustment Chart is on ©20. The Executive is recommending that about $357.0 million of tax-supported Current Revenue be available in FY13-18 (inflation adjusted), about $30.7 million (9.4%) more than in the Amended FY11-16 CIP. However, the picture is very different year-by-year: he is recommending about $5.5 million less in FY13 and $4.0 million more in FY14, $17.2 million less in FY15 and $2.1 million less in FY16. The overall increase is due to higher levels in the new CIP years (FYs17-18) than in the two years in the rear window (FYs11-12). Current Revenue levels in past CIPs and the Recommended CIP are shown below:

Table 13: Current Revenue in Recent CIPs ($ millions)

CIP	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	6-Yr
FY09-14	44.9	50.1	34.0	28.4	39.5	55.8					252.7
FY09-14 Am	45.9	30.7	37.1	28.5	41.3	57.8					241.4
FY11-16			23.8	40.9	56.1	77.0	77.9	56.9			332.7
FY11-16 Am			25.5	35.0	57.6	76.6	74.7	57.0			326.3
FY13-18 Rec					**52.1**	**80.6**	**57.5**	**54.9**	**52.5**	**59.4**	**357.0**

Council staff recommendation: Concur with the Executive.

V. PARK AND PLANNING BONDS

The Council initially approved and later confirmed spending affordability guidelines for Park and Planning bonds of $6.0 million for FY13, $6.0 million for FY14 and $36.0 million for FY13-18. In his January submission the Executive recommended the existing guidelines and using the new inflation rates now proposed for G.O. bonds. He also is assuming an implementation rate of 87% for each year, just as in the Approved FY11-16 CIP (©21).

The Executive's recommended set-aside of about $10.9 million comprises about 8.8% of the funds available for projects, which is a much lower than the 26.1% in the Approved CIP and much lower than what has traditionally has been reserved. This means there will be little flexibility to add local park projects or to increase funding for such current projects, unless in the future the Council were to approve higher guidelines for Park and Planning bonds.

Council staff recommendation: Concur with the Executive in retaining the current guidelines and targets for Park and Planning bonds.

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c. In any agreement by the county relating to revenue bonds; and

(2) Compel the performance of all duties required by:

a. This article; or

b. A resolution authorizing revenue bonds; or

c. Any agreement by the county relating to revenue bonds, in accordance with law. (1986 L.M.C., ch. 52, § 1.)

Sec. 20-54. Credit of county not pledged.

(a) Revenue bonds are not indebtedness of the county within the meaning of the Charter and do not constitute a pledge of the full faith and credit of the county.

(b) All revenue bonds must contain a statement on their face to the effect that the full faith and credit of the county is not pledged to pay their principal, interest, or premium, if any. (1986 L.M.C., ch. 52, § 1.)

ARTICLE X. SPENDING AFFORDABILITY—CAPITAL BUDGETS*

Sec. 20-55. Definitions.

In this Article, the following terms have the meanings indicated:

(a) *"Aggregate capital budget"* means all capital budgets approved by the County Council.

(b) *"Capital improvements program"* means the comprehensive 6-year program for capital improvements submitted by the County Executive to the County Council under Section 302 of the Charter.

(c) *"Council"* means the County Council sitting as a spending affordability committee under Section 305 of the Charter. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

***Editor's note**—See County Attorney Opinion dated 10/30/91-A describing the additions to Charter § 305 by Question F as not conflicting with the TRIM amendment.

Prior to its repeal and reenactment by CY 1991 L.M.C., ch. 29, Art. X was entitled "Spending Affordability;" consisted of §§ 20-55—20-59, and was derived from CY 1991 L.M.C., ch. 1, § 1.

Sec. 20-56. Establishment of Guidelines.

(a) *General.* The Council must adopt spending affordability guidelines for the aggregate capital budget under this Article.

(b) *Content.* The guidelines for the aggregate capital budget must specify the:

(1) total general obligation debt issued by the County that may be planned for expenditure in the first fiscal year under the capital improvements program;

(2) total general obligation debt issued by the County that may be planned for expenditure in the second fiscal year under the capital improvements program;

(3) total general obligation debt issued by the County that may be approved under the 6-year capital improvements program;

(4) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the first fiscal year under the capital improvements program for projects in the County;

(5) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the second fiscal year under the capital improvements program for projects in the County; and

(6) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission for projects in the County that may be approved under the 6-year capital improvements program.

(c) *Procedures.*

(1) The Council must adopt spending affordability guidelines for the aggregate capital budget, by resolution, not later than the first Tuesday in October in each odd-numbered calendar year.

(2) The council must hold a public hearing before it adopts guidelines under paragraph (1).

(3) The Council may delegate responsibility for monitoring relevant affordability indicators to its standing committee with jurisdiction over spending affordability matters.

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(4) Not later than the first Tuesday in February of each year, the Council may, subject to paragraph (5), amend the resolution establishing the guidelines to reflect a significant change in conditions. An amendment may alter a guideline by either an upward or downward adjustment in dollar amount.

(5) Any upward adjustment of a dollar amount under paragraph (4) for a guideline required by subsection (b)(1), (b)(2), (b)(4), or (b)(5) must not exceed 10%. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-57. Affordability Indicators.

In adopting its guidelines, the Council should consider, among other relevant factors:

(a) the growth and stability of the local economy and tax base;

(b) criteria used by major rating agencies related to creditworthiness, including maintenance of a "AAA" general obligation bond rating;

(c) County financial history;

(d) fund balances;

(e) bonded debt as a percentage of the full value of taxable real property;

(f) debt service as a percentage of operating expenditures;

(g) the effects of proposed borrowing on levels of debt per-capita, and the ability of County residents to support such debt as measured by per-capita debt as a percentage of per-capita income;

(h) the rate of repayment of debt principal;

(i) availability of State funds for County capital projects;

(j) potential operation and maintenance costs relating to debt financed projects; and

(k) the size of the total debt outstanding at the end of each fiscal year. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-58. Approval of Capital Budgets.

Any aggregate capital budget that exceeds the spending affordability guidelines in effect after the first Tuesday in February requires the affirmative vote of 7 councilmembers for approval. (CY 1991 L.M.C., ch. 29, § 2.)

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY13-18 Capital Improvements Program

Jan 17, 2012

($ millions)	6 YEARS	FY13	FY14	FY15	FY16	FY17	FY18
BONDS PLANNED FOR ISSUE	1,770.000	295.000	295.000	295.000	295.000	295.000	295.000
Plus PAYGO Funded	177.000	29.500	29.500	29.500	29.500	29.500	29.500
Slippage Adjustment	-	-	-	-	-		
Adjust for Implementation **	361.796	63.314	63.314	61.417	59.636	57.902	56.213
Adjust for Future Inflation **	(84.280)	-	-	(8.839)	(17.137)	(25.218)	(33.086)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,224.517	387.814	387.814	377.079	366.999	357.184	347.627
Less Set Aside: Future Projects	184.063 8.27%	9.381	14.506	20.022	30.068	50.056	60.030
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	2,040.454	378.433	373.308	357.057	336.931	307.128	287.597
MCPS	(748.689)	(176.331)	(150.288)	(96.844)	(130.775)	(104.559)	(89.892)
MONTGOMERY COLLEGE	(156.179)	(31.976)	(27.661)	(27.254)	(32.930)	(25.140)	(11.218)
M-NCPPC PARKS	(77.879)	(7.479)	(11.404)	(12.615)	(14.789)	(18.362)	(13.230)
TRANSPORTATION	(481.951)	(70.695)	(82.636)	(67.528)	(67.774)	(99.106)	(94.212)
MCG - OTHER	(701.686)	(198.052)	(116.974)	(155.655)	(91.176)	(60.463)	(79.366)
Programming Adjustment - Unspent Prior Years*	125.930	106.100	15.655	2.839	0.513	0.502	0.321
SUBTOTAL PROGRAMMED EXPENDITURES	(2,040.454)	(378.433)	(373.308)	(357.057)	(336.931)	(307.128)	(287.597)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES: * See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart ** Adjustments Include: Inflation =		2.50%	2.60%	2.80%	2.70%	2.70%	2.70%
Implementation Rate =		82.33%	82.33%	82.33%	82.33%	82.33%	82.33%

(4)

DEBT CAPACITY ANALYSIS
KEY ASSUMPTIONS AND INPUTS
Amended FY11-16 CIP (January, 2011); FY13-18 CIP SAG (September, 2011); Recommended FY13-18 CIP (January, 2012)

		Current Year FY 12	Year 1 FY 13	Year 2 FY 14	Year 3 FY 15	Year 4 FY 16	Year 5 FY17	Year 6 FY18
1	INTEREST RATE ON BONDS							
	FY11-16 CIP - January, 2011	5.00%	5.00%	5.00%	5.00%	5.00%		
	FY13-18 CIP - September, 2011		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	FY13-18 CIP Rec. - January, 2012		**5.50%**	**5.60%**	**5.80%**	**5.70%**	**5.70%**	**5.70%**
2	OPERATING GROWTH							
	FY11-16 CIP - January, 2011	1.00%	0.70%	3.40%	4.10%	3.70%		
	FY13-18 CIP - September, 2011		0.30%	3.50%	3.80%	4.10%	3.60%	3.60%
	FY13-18 CIP Rec. - January, 2012		**1.20%**	**2.80%**	**3.50%**	**3.10%**	**3.20%**	**3.00%**
3	POPULATION							
	FY11-16 CIP - January, 2011	978,700	986,100	993,500	1,001,000	1,010,450		
	FY13-18 CIP - September, 2011		986,100	993,500	1,017,000	1,026,420	1,035,930	1,045,530
	FY13-18 CIP Rec. - January, 2012		**986,100**	**993,500**	**1,017,000**	**1,026,420**	**1,035,930**	**1,045,530**
4	FY CPI INFLATION							
	FY11-16 CIP - January, 2011	2.35%	2.45%	2.80%	2.90%	3.00%		
	FY13-18 CIP - September, 2011		2.70%	3.00%	3.20%	3.40%	3.60%	3.60%
	FY13-18 CIP Rec. - January, 2012		**2.50%**	**2.60%**	**2.80%**	**2.70%**	**2.70%**	**2.70%**
5	ASSESSABLE BASE-COUNTYWIDE							
	FY11-16 CIP($000) - January, 2011	170,147,000	173,405,000	179,154,000	184,785,000	194,051,000		
	FY13-18 CIP($000) - September, 2011		168,355,000	172,600,000	176,153,000	185,255,000	193,953,000	202,874,000
	FY13-18 CIP Rec.($000) - January, 2012		**167,735,000**	**171,123,000**	**174,512,000**	**181,950,000**	**192,012,000**	**203,939,000**
6	TOTAL PERSONAL INCOME							
	FY11-16 CIP($000) - January, 2011	74,820,000	79,540,000	84,430,000	88,270,000	92,130,000		
	FY13-18 CIP($000) - September, 2011		77,170,000	81,810,000	86,130,000	90,230,000	94,680,000	99,319,000
	FY13-18 CIP Rec.($000) - January, 2012		**77,180,000**	**81,560,000**	**85,980,000**	**90,090,000**	**93,300,000**	**96,300,000**

5

DEBT CAPACITY ANALYSIS

FY13-18 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS January 19, 2012
Scenario - Guidelines @ $290mn/year FY13-18
6 Yr. Total ($Mn.) $1,740.0 mn
FY13 Total ($Mn.) $290.0 mn
FY14 Total ($Mn.) $290.0 mn

	GUIDELINE	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1. GO Bond Guidelines ($000s)		320,000	290,000	290,000	290,000	290,000	290,000	290,000
2. GO Debt/Assessed Value	1.5%	1.56%	1.63%	1.67%	1.69%	1.67%	1.63%	1.57%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	10.10%	10.90%	11.22%	11.41%	11.61%	11.68%	11.87%
4. $ Debt/Capita		2,675	2,742	2,828	2,902	2,965	3,019	3,063
5. $ Real Debt/Capita	$2,000	2,675	2,675	2,689	2,684	2,671	2,648	2,616
6. Capita Debt/Capita Income	3.5%	3.60%	3.55%	3.49%	3.43%	3.38%	3.35%	3.33%
7. Payout Ratio	60% - 75%	68.22%	68.28%	68.50%	68.86%	69.25%	69.69%	70.07%
8. Total Debt Outstanding ($000s)		2,618,335	2,738,300	2,849,720	2,951,305	3,043,585	3,127,310	3,202,305
9. Real Debt Outstanding ($000s)		2,618,335	2,671,512	2,709,761	2,729,919	2,741,263	2,742,620	2,734,557
10. OP/PSP Growth Assumption			1.2%	2.8%	3.5%	3.1%	3.2%	3.0%

(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 FY12 approved budget to FY13 budget for FY13 and budget to budget for FY14-18.

6

DEBT SERVICE IMPACT	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Assumed Issue Size ($000)	320,000	290,000	290,000	290,000	290,000	290,000	290,000
GO Bond Debt Service ($000)	255,831	275,845	291,869	307,088	324,569	341,003	360,513
Dollar change in GO Bond debt service (year to year)	19,690	20,014	16,025	15,219	17,481	16,434	19,510
Percentage change in GO Bond debt service (year to year)	8.34%	7.82%	5.81%	5.21%	5.69%	5.06%	5.72%
Dollar change in GO Bond debt service from the base (FY12)		20,014	36,038	51,257	68,738	85,172	104,682
STL and LTL Debt Service	30,720	37,237	39,943	42,193	42,162	39,969	37,782
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	286,551	313,082	331,812	349,281	366,731	380,972	398,295
Total Revenues	2,836,323	2,873,464	2,956,866	3,061,338	3,159,819	3,260,566	3,356,693

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Approved GO bond debt issuance		310,000	320,000	320,000	320,000	320,000	320,000	320,000
Assumed GO bond debt issuance		320,000	290,000	290,000	290,000	290,000	290,000	290,000
Increase/(Decrease) in GO bond debt issuance	(170,000)	10,000	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)

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DEBT CAPACITY ANALYSIS

FY13-18 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS January 19, 2012
Scenario - Guidelines @ $295mn/year FY13-18
6 Yr. Total ($Mn.) $1,770.0 mn
FY13 Total ($Mn.) $295.0 mn
FY14 Total ($Mn.) $295.0 mn

	GUIDELINE	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1. GO Bond Guidelines ($000s)		320,000	295,000	295,000	295,000	295,000	295,000	295,000
2. GO Debt/Assessed Value	**1.5%**	**1.56%**	**1.64%**	**1.67%**	**1.70%**	**1.68%**	**1.64%**	**1.58%**
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.10%**	**10.90%**	**11.24%**	**11.45%**	**11.66%**	**11.75%**	**11.93%**
4. $ Debt/Capita		2,675	2,747	2,838	2,916	2,983	3,041	3,088
5. $ Real Debt/Capita	**$2,000**	**2,675**	**2,680**	**2,698**	**2,697**	**2,687**	**2,667**	**2,637**
6. Capita Debt/Capita Income	**3.5%**	**3.60%**	**3.55%**	**3.51%**	**3.45%**	**3.40%**	**3.38%**	**3.35%**
7. Payout Ratio	**60% - 75%**	**68.22%**	**68.24%**	**68.43%**	**68.77%**	**69.14%**	**69.57%**	**69.95%**
8. Total Debt Outstanding ($000s)		2,618,335	2,743,300	2,859,470	2,965,555	3,062,085	3,149,810	3,228,555
9. Real Debt Outstanding ($000s)		2,618,335	2,676,390	2,719,032	2,743,100	2,757,925	2,762,353	2,756,973
10. OP/PSP Growth Assumption			1.2%	2.8%	3.5%	3.1%	3.2%	3.0%

(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 FY12 approved budget to FY13 budget for FY13 and budget to budget for FY14-18.

DEBT SERVICE IMPACT	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Assumed Issue Size ($000)	320,000	295,000	295,000	295,000	295,000	295,000	295,000
GO Bond Debt Service ($000)	255,831	275,970	292,494	308,200	326,156	343,053	362,563
Dollar change in GO Bond debt service (year to year)	19,690	20,139	16,525	15,706	17,956	16,897	19,510
Percentage change in GO Bond debt service (year to year)	8.34%	7.87%	5.99%	5.37%	5.83%	5.18%	5.69%
Dollar change in GO Bond debt service from the base (FY12)		20,139	36,663	52,369	70,325	87,222	106,732
STL and LTL Debt Service	30,720	37,237	39,943	42,193	42,162	39,969	37,782
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	286,551	313,207	332,437	350,394	368,318	383,022	400,345
Total Revenues	2,836,323	2,873,464	2,956,866	3,061,338	3,159,819	3,260,566	3,356,693

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		310,000	320,000	320,000	320,000	320,000	320,000	320,000
Assumed GO bond debt issuance		320,000	295,000	295,000	295,000	295,000	295,000	295,000
Increase/(Decrease) in GO bond debt issuance	(140,000)	10,000	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)

7

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DEBT CAPACITY ANALYSIS

FY13-18 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS January 19, 2012
Scenario - Guidelines @ $300mn/year
6 Yr. Total ($Mn.) $1,800.0 mn
FY13 Total ($Mn.) $300.0 mn
FY14 Total ($Mn.) $300.0 mn

	GUIDELINE	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1. GO Bond Guidelines ($000s)		320,000	300,000	300,000	300,000	300,000	300,000	300,000
2. GO Debt/Assessed Value	1.5%	1.56%	1.64%	1.68%	1.71%	1.69%	1.65%	1.60%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	10.10%	10.90%	11.26%	11.48%	11.71%	11.81%	11.99%
4. $ Debt/Capita		2,675	2,752	2,848	2,930	3,001	3,063	3,113
5. $ Real Debt/Capita	$2,000	2,675	2,685	2,708	2,710	2,703	2,686	2,659
6. Capita Debt/Capita Income	3.5%	3.60%	3.56%	3.52%	3.47%	3.42%	3.40%	3.38%
7. Payout Ratio	60% - 75%	68.22%	68.20%	68.36%	68.67%	69.03%	69.45%	69.83%
8. Total Debt Outstanding ($000s)		2,618,335	2,748,300	2,869,220	2,979,805	3,080,585	3,172,310	3,254,805
9. Real Debt Outstanding ($000s)		2,618,335	2,681,268	2,728,303	2,756,281	2,774,587	2,782,085	2,779,389
10. OP/PSP Growth Assumption			1.2%	2.8%	3.5%	3.1%	3.2%	3.0%

(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 FY12 approved budget to FY13 budget for FY13 and budget to budget for FY14-18.

DEBT SERVICE IMPACT	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Assumed Issue Size ($000)	320,000	300,000	300,000	300,000	300,000	300,000	300,000
GO Bond Debt Service ($000)	255,831	276,095	293,119	309,313	327,744	345,103	364,613
Dollar change in GO Bond debt service (year to year)	19,690	20,264	17,025	16,194	18,431	17,359	19,510
Percentage change in GO Bond debt service (year to year)	8.34%	7.92%	6.17%	5.52%	5.96%	5.30%	5.65%
Dollar change in GO Bond debt service from the base (FY12)		20,264	37,288	53,482	71,913	89,272	108,782
STL and LTL Debt Service	30,720	37,237	39,943	42,193	42,162	39,969	37,782
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	286,551	313,332	333,062	351,506	369,906	385,072	402,395
Total Revenues	2,836,323	2,873,464	2,956,866	3,061,338	3,159,819	3,260,566	3,356,693

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Approved GO bond debt issuance		310,000	320,000	320,000	320,000	320,000	320,000	320,000
Assumed GO bond debt issuance		320,000	300,000	300,000	300,000	300,000	300,000	300,000
Increase/(Decrease) in GO bond debt issuance	(110,000)	10,000	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)

DEBT CAPACITY ANALYSIS

FY13-18 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS January 19, 2012
Scenario - Guidelines @ $310mn/year FY13-18
6 Yr. Total ($Mn.) $1,860.0 mn
FY13 Total ($Mn.) $310.0 mn
FY14 Total ($Mn.) $310.0 mn

	GUIDELINE	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1. GO Bond Guidelines ($000s)		320,000	310,000	310,000	310,000	310,000	310,000	310,000
2. GO Debt/Assessed Value	1.5%	**1.56%**	**1.64%**	**1.69%**	**1.72%**	**1.71%**	**1.68%**	**1.62%**
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	**10.10%**	**10.91%**	**11.31%**	**11.55%**	**11.81%**	**11.94%**	**12.11%**
4. $ Debt/Capita		2,675	2,762	2,867	2,958	3,037	3,106	3,164
5. $ Real Debt/Capita	$2,000	**2,675**	**2,695**	**2,726**	**2,736**	**2,736**	**2,724**	**2,702**
6. Capita Debt/Capita Income	3.5%	**3.60%**	**3.57%**	**3.54%**	**3.50%**	**3.46%**	**3.45%**	**3.43%**
7. Payout Ratio	60% - 75%	**68.22%**	**68.12%**	**68.22%**	**68.49%**	**68.82%**	**69.22%**	**69.59%**
8. Total Debt Outstanding ($000s)		2,618,335	2,758,300	2,888,720	3,008,305	3,117,585	3,217,310	3,307,305
9. Real Debt Outstanding ($000s)		2,618,335	2,691,024	2,746,845	2,782,643	2,807,912	2,821,550	2,824,220
10. OP/PSP Growth Assumption			1.2%	2.8%	3.5%	3.1%	3.2%	3.0%

(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 FY12 approved budget to FY13 budget for FY13 and budget to budget for FY14-18.

5

DEBT SERVICE IMPACT	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Assumed Issue Size ($000)	320,000	310,000	310,000	310,000	310,000	310,000	310,000
GO Bond Debt Service ($000)	255,831	276,345	294,369	311,538	330,919	349,203	368,713
Dollar change in GO Bond debt service (year to year)	19,690	20,514	18,025	17,169	19,381	18,284	19,510
Percentage change in GO Bond debt service (year to year)	8.34%	8.02%	6.52%	5.83%	6.22%	5.53%	5.59%
Dollar change in GO Bond debt service from the base (FY12)		20,514	38,538	55,707	75,088	93,372	112,882
STL and LTL Debt Service	30,720	37,237	39,943	42,193	42,162	39,969	37,782
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	286,551	313,582	334,312	353,731	373,081	389,172	406,495
Total Revenues	2,836,323	2,873,464	2,956,866	3,061,338	3,159,819	3,260,566	3,356,693

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		310,000	320,000	320,000	320,000	320,000	320,000	320,000
Assumed GO bond debt issuance		320,000	310,000	310,000	310,000	310,000	310,000	310,000
Increase/(Decrease) in GO bond debt issuance	(50,000)	10,000	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)

DEBT CAPACITY ANALYSIS

FY13-18 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS January 19, 2012
Scenario - Guidelines @ $320mn/year FY13-18
6 Yr. Total ($Mn.) $1,920.0 mn
FY13 Total ($Mn.) $320.0 mn
FY14 Total ($Mn.) $320.0 mn

	GUIDELINE	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1. GO Bond Guidelines ($000s)		320,000	320,000	320,000	320,000	320,000	320,000	320,000
2. GO Debt/Assessed Value	1.5%	1.56%	1.65%	1.70%	1.74%	1.73%	1.70%	1.65%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	10.10%	10.92%	11.35%	11.63%	11.91%	12.06%	12.23%
4. $ Debt/Capita		2,675	2,772	2,886	2,986	3,074	3,149	3,214
5. $ Real Debt/Capita	$2,000	2,675	2,705	2,744	2,762	2,768	2,762	2,744
6. Capita Debt/Capita Income	3.5%	3.60%	3.59%	3.57%	3.53%	3.50%	3.50%	3.49%
7. Payout Ratio	60% - 75%	68.22%	68.04%	68.09%	68.31%	68.62%	69.00%	69.36%
8. Total Debt Outstanding ($000s)		2,618,335	2,768,300	2,908,220	3,036,805	3,154,585	3,262,310	3,359,805
9. Real Debt Outstanding ($000s)		2,618,335	2,700,780	2,765,388	2,809,005	2,841,237	2,861,014	2,869,052
10. OP/PSP Growth Assumption			1.2%	2.8%	3.5%	3.1%	3.2%	3.0%

(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 FY12 approved budget to FY13 budget for FY13 and budget to budget for FY14-18.

10

DEBT SERVICE IMPACT	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Assumed Issue Size ($000)	320,000	320,000	320,000	320,000	320,000	320,000	320,000
GO Bond Debt Service ($000)	255,831	276,595	295,619	313,763	334,094	353,303	372,813
Dollar change in GO Bond debt service (year to year)	19,690	20,764	19,025	18,144	20,331	19,209	19,510
Percentage change in GO Bond debt service (year to year)	8.34%	8.12%	6.88%	6.14%	6.48%	5.75%	5.52%
Dollar change in GO Bond debt service from the base (FY12)		20,764	39,788	57,932	78,263	97,472	116,982
STL and LTL Debt Service	30,720	37,237	39,943	42,193	42,162	39,969	37,782
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	286,551	313,832	335,562	355,956	376,256	393,272	410,595
Total Revenues	2,836,323	2,873,464	2,956,866	3,061,338	3,159,819	3,260,566	3,356,693

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		310,000	320,000	320,000	320,000	320,000	320,000	320,000
Assumed GO bond debt issuance		320,000	320,000	320,000	320,000	320,000	320,000	320,000
Increase/(Decrease) in GO bond debt issuance	10,000	10,000	0	0	0	0	0	0

DEBT CAPACITY ANALYSIS

FY13-18 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS September 13, 2011
Scenario - Guidelines @ $295mn/year FY13-18
6 Yr. Total ($Mn.) $1,770.0 mn
FY13 Total ($Mn.) $295.0 mn
FY14 Total ($Mn.) $295.0 mn

	GUIDELINE	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1. GO Bond Guidelines ($000s)		320,000	295,000	295,000	295,000	295,000	295,000	295,000
2. GO Debt/Assessed Value	1.5%	1.56%	1.63%	1.66%	1.68%	1.65%	1.62%	1.59%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.22%**	**11.08%**	**11.34%**	**11.44%**	**11.54%**	**11.65%**	**11.82%**
4. $ Debt/Capita		2,675	2,782	2,878	2,916	2,983	3,041	3,088
5. $ Real Debt/Capita	$2,000	2,675	2,709	2,721	2,671	2,643	2,600	2,549
6. Capita Debt/Capita Income	3.5%	3.60%	3.55%	3.50%	3.44%	3.39%	3.33%	3.25%
7. Payout Ratio	60% - 75%	68.22%	68.04%	68.09%	68.31%	68.62%	69.00%	69.36%
8. Total Debt Outstanding ($000s)		2,618,335	2,743,300	2,859,470	2,965,555	3,062,085	3,149,810	3,228,555
9. Real Debt Outstanding ($000s)		2,618,335	2,671,178	2,703,198	2,716,556	2,712,747	2,693,498	2,664,899
10. OP/PSP Growth Assumption			0.3%	3.5%	3.8%	4.1%	3.6%	3.6%

(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 FY12 approved budget to FY13 budget for FY13 and budget to budget for FY14-18.

DEBT SERVICE IMPACT	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Assumed Issue Size ($000)	320,000	295,000	295,000	295,000	295,000	295,000	295,000
GO Bond Debt Service ($000)	255,831	275,970	292,494	308,200	326,156	343,053	362,563
Dollar change in GO Bond debt service (year to year)	19,690	20,139	16,525	15,706	17,956	16,897	19,510
Percentage change in GO Bond debt service (year to year)	8.34%	7.87%	5.99%	5.37%	5.83%	5.18%	5.69%
Dollar change in GO Bond debt service from the base (FY12)		20,139	36,663	52,369	70,325	87,222	106,732
STL and LTL Debt Service	34,083	39,488	42,200	42,165	42,134	42,120	42,120
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	289,915	315,458	334,695	350,366	368,290	385,174	404,684
Total Revenues	2,836,323	2,848,279	2,950,623	3,063,592	3,192,296	3,306,638	3,423,659

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Approved GO bond debt issuance		310,000	320,000	320,000	320,000	320,000	320,000	320,000
Assumed GO bond debt issuance		320,000	295,000	295,000	295,000	295,000	295,000	295,000
Increase/(Decrease) in GO bond debt issuance	(140,000)	10,000	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)

COMPARING PROGRAMMED AND ACTUAL EXPENDITURES
GO BOND FUNDING ONLY
FOR FISCAL YEARS 2007 THROUGH 2011

BOND CATEGORY	FY07 ACTUAL BONDS	FY07 PROGRAM.BONDS	FY07 RATE	FY08 ACTUAL BONDS	FY08 PROGRAM.BONDS	FY08 RATE
PUBLIC SCHOOLS	113,114,806	152,863,000	74.00%	148,219,059	142,981,000	103.66%
M. COLLEGE	10,085,083	19,989,000	50.45%	22,270,792	22,326,000	99.75%
M-NCPPC PARKS	5,806,313	7,470,000	77.73%	5,390,411	5,953,000	90.55%
TRANSPORTATION	42,349,336	64,411,000	65.75%	73,704,397	77,142,000	95.54%
MCG-OTHER	22,354,632	56,180,000	39.79%	24,540,312	41,930,000	58.53%
TOTAL	193,710,170	300,913,000	64.37%	274,124,971	290,332,000	94.42%

BOND CATEGORY	FY09 ACTUAL BONDS	FY09 PROGRAM. BONDS	FY09 RATE	FY10 ACTUAL BONDS	FY10 PROGRAM. BONDS	FY10 RATE
PUBLIC SCHOOLS	159,832,241	154,430,000	103.50%	105,583,133	124,840,000	84.57%
M. COLLEGE	20,981,433	40,113,000	52.31%	30,014,266	47,155,000	63.65%
M-NCPPC PARKS	5,272,160	10,560,000	49.93%	13,988,737	10,912,000	128.20%
TRANSPORTATION	71,701,540	75,304,000	95.22%	72,845,702	91,706,000	79.43%
MCG-OTHER	40,232,351	62,450,000	64.42%	45,871,618	65,845,000	69.67%
TOTAL	298,019,725	342,857,000	86.92%	268,303,456	340,458,000	78.81%

12

BOND CATEGORY	FY11 ACTUAL BONDS	FY11 PROGRAM. BONDS	FY11 RATE	LAST 5 YEAR AVG.
PUBLIC SCHOOLS	145,067,484	186,280,000	77.88%	88.72%
M. COLLEGE	13,637,541	28,208,000	48.35%	62.90%
M-NCPPC PARKS	7,897,616	11,332,000	69.69%	83.22%
TRANSPORTATION	115,327,299	74,634,000	154.52%	98.09%
MCG-OTHER	47,756,828	77,936,000	61.28%	58.74%
TOTAL	329,686,768	378,390,000	87.13%	82.33%

TRANSFER & RECORDATION TAXES ESTIMATE
MONTGOMERY COUNTY, MARYLAND

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
<u>Current Law</u>									
Collect (incl school CIP)	$146,399,533	$142,981,837							
% change	9.6%	-2.3%							
			FORECAST						
- TRANSFER (excl. condo conversion)	$77,029,256	$70,941,244	$77,890,000	$86,370,000	$92,490,000	$97,460,000	$104,740,000	$112,410,000	$118,710,000
% change	18.9%	-7.9%	9.8%	10.9%	7.1%	5.4%	7.5%	7.3%	
- RECORDATION (excludes School CIP and premium)	$42,714,690	$41,869,536	$48,551,510	$52,996,011	$55,355,733	$58,085,013	$63,294,776	$68,251,930	$71,689,509
% change	0.7%	-2.0%	16.0%	9.2%	4.5%	4.9%	9.0%	7.8%	
- RECORDATION (INCLUDING (SCHOOL FUNDING ONLY)	$61,182,682	$61,156,506	$70,978,146	$77,475,626	$80,925,337	$84,915,310	$92,531,537	$99,778,471	$104,803,917
	0.9%	0.0%	16.1%	9.2%	4.5%	4.9%	9.0%	7.8%	
- RECORDATION (INCLUDING (SCHOOL FUNDING AND PREMIUM)	$69,370,277	$72,040,593	$79,670,358	$86,306,661	$90,545,292	$95,275,718	$103,774,221	$109,372,442	$114,703,705
	0.8%	3.8%	10.6%	8.3%	4.9%	5.2%	8.9%	5.4%	
GRAND TOTAL TRANSFER AND RECORDATION TAX:									
FY12 Budget (3/11)			$165,569,759	$190,517,765	$205,981,525	$202,110,348	$215,891,713	$217,818,254	
December '11 Update			$157,560,358	$172,676,661	$183,035,292	$192,735,718	$208,514,221	$221,782,442	$233,413,705
Difference			($8,009,401)	($17,841,104)	($22,946,233)	($9,374,629)	($7,377,492)	$3,964,188	
<u>% change</u>									
FY12 Budget (3/11)			15.8%	15.1%	8.1%	-1.9%	6.8%	0.9%	
December '11 Update			10.2%	9.6%	6.0%	5.3%	8.2%	6.4%	5.2%

Montgomery County Department of Finance December 2011

	FY10 Actual	FY11 Actual	FY12 Estimated	FY13 Estimated	FY14 Estimated	FY15 Estimated	FY16 Estimated	FY17 Estimated	FY18 Estimated
			RECORDATION TAX FOR SCHOOL CIP						
School CIP Share of Total	$18,467,992	$19,286,970	$22,426,636	$24,479,615	$25,569,604	$26,830,297	$29,236,761	$31,526,541	$33,114,408
	30.2%	38.4%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	

13

	FY10 Actual	FY11 Actual	FY12 Estimated	FY13 Estimated	FY14 Estimated	FY15 Estimated	FY16 Estimated	FY17 Estimated	FY18 Estimated
			RECORDATION TAX (PREMIUM > $500,000)						
	$8,187,595	$10,884,086	$8,692,213	$8,831,036	$9,619,955	$10,360,408	$11,242,684	$9,593,971	$9,899,788

Agenda Item 8
November 1, 2011
Action

MEMORANDUM

TO: County Council

FROM: MF Michael Faden, Senior Legislative Attorney
GO Glenn Orlin, Deputy Council Staff Director

SUBJECT: **Action:** Bill 26-11, Taxation – Development Impact Taxes - Payment

Government Operations and Fiscal Policy Committee recommendation: enact with amendments.

Bill 26-11, Taxation – Development Impact Taxes - Payment, sponsored by Councilmember Riemer, Council President Ervin, and Councilmembers Berliner, Floreen, Leventhal, Navarro, and Rice, was introduced on September 13, 2011. A public hearing was held on October 4, and a Government Operations and Fiscal Policy Committee worksession was held on October 24.

As introduced, Bill 26-11 would require the transportation and school development impact taxes, and the associated transportation mitigation and school facilities payments, to be paid before a use and occupancy permit is issued, rather than before a building permit is issued as current law provides.

Hearing testimony The County Chamber of Commerce and various representatives of the building industry supported the Bill, arguing that deferring the impact tax payments will reduce builders' carrying costs and ease their ability to secure financing (see selected testimony, ©31-34). They asserted that this will increase the likeliness that approved subdivisions will proceed more quickly to realization, generating greater employment in the building and building-support sectors and thus the County's overall economy. The only testimony opposing the Bill was by Robert Dyer, who termed the Bill "corporate welfare" which lets developers profit at taxpayers' expense. He argued that funds allocated to transportation and schools would be paid more slowly, requiring needed projects to be deferred.

Experience elsewhere Since the County first implemented impact taxes in 1986, they have been collected just before the building permit is issued. All major Maryland jurisdictions charge impact fees or taxes at building permit; 4 small counties charge it later, the latest being

Charles County, where they are paid in 10-year installments after occupancy permit (see list on ©27).[1]

According to Duncan Associates, a Florida firm that routinely surveys states and local governments about their impact fee/tax programs, of the 28 states that have authorized local governments to charge impact taxes, 14 require the charge at building permit, while 5 others require it at certificate of occupancy: Arkansas, California, Illinois, New Hampshire, and Rhode Island. In the Virginia jurisdictions that do not have impact taxes but rely on proffer zoning instead, the proffer payments are made after final inspection and before certificate of occupancy. The other 9 states allow their local governments to charge the tax or fee anytime during the development process, from as early as subdivision approval to as late as certificate of occupancy.

Executive recommendations On October 17 the County Executive transmitted detailed comments on this Bill (see Executive memo, ©13-15). He recommended enactment of this Bill with the following amendments:

- for single-family residential development, **defer payment** of impact taxes (and similar Payments) **to the earlier of final inspection or 6 months after the building permit is issued;**
- for multi-family residential and non-residential development, **defer payment** of impact taxes (and similar Payments) **to the earlier of final inspection or 12 months after the building permit is issued;**
- **sunset the later payment dates in 2 years**. This would require the Council to enact another bill in late 2013 to extend the deferrals or make them permanent;[2] and
- **make the Bill an Expedited Bill, taking effect on December 1** (the Executive's memo did not specify that date, but Executive staff told Council staff that they will need that much time to get ready to implement it).

Revenue analysis Council staff asked the Department of Permitting Services (DPS) to estimate the average time between the issuance of building and occupancy permits for various types of construction. The results of DPS' analysis are reported in the OMB fiscal and economic impact statement starting on ©16:

Single-family residential	158 days (about 5 months)
Multi-family residential	224 days (about 7½ months)
Office	366 days (about 12 months)
Retail	200 days (about 6½ months)

Finance Department staff's revenue loss/transfer projections for this Bill are based on these time differentials, assuming that the Bill would take effect on February 1, 2012, 91 days after its potential enactment in early November.

[1]Thanks to Scott Kennedy of the Office of Policy Analysis, Maryland Department of Legislative Services, for compiling this information.

[2]This temporary 2-year deferral would also be consistent with other 2-year suspensions or extensions of other building-related requirements, such as SRA 11-01, which extended for another 2 years the validity period of certain adequate public facilities determinations and preliminary subdivision plans, effective April 1, 2011.

After reviewing the initial fiscal impact statement, Council staff, working collaboratively with OMB and Finance staff, identified some needed corrections and revisions, one of which was to extend the analysis through FY18, the end of the next Capital Improvements Program.[3] *The revenue projections in this packet, therefore, supersede those in the attached fiscal impact statement.* This staff group ultimately asked Finance staff to produce several scenarios reflecting possible modifications to this Bill, and the data for each scenario were vetted by the staff group. Each scenario was compared to a Baseline representing no change in the current law. In total, 5 scenarios generated by Finance staff are:

Scenario 1: Bill 26-11 as introduced, assumed to take effect February 1, 2012, 91 days after enactment in early November (©28).

Scenario 2: Scenario 1 with a 2-year sunset (©28).

Scenario 3: Scenario 1 as an expedited bill, effective November 1 (©29).

Scenario 4: Scenario 1 with a 6-month payment deferral for single-family residential buildings and a 12-month deferral for multi-family residential and non-residential buildings (©29).

Scenario 5: Scenario 1 with a 2-year sunset, an expedited bill effective December 1, and with a 6-month payment deferral for single-family residential buildings and a 12-month deferral for multi-family residential and non-residential buildings (©30). *This scenario incorporates the Executive's recommendations.*

The revenue forecasts were based on what could be referred to as "pure" revenue projections: those based purely on the current forecasts of growth in each major land use sector, the current impact tax rates with biennial inflation adjustments, and a factoring-down of transportation impact tax revenue because of credits. The forecasts do not reflect the timing of school facilities payments and transportation mitigation payments, which would also be affected by this Bill, but these payments are relatively minor compared to impact taxes.

The forecasts also do not assume any additional growth in residential or non-residential construction because of the delayed payments, although that is one of the sponsors' objectives. All would agree that this is nearly impossible to estimate. OMB's October 4 transmittal noted that, at least as of that time, the Executive Branch had not heard from any developer that deferring the impact tax payment would make a difference as to whether a development project would move forward, and they did not know of any statistical or empirical data, locally or nationally, demonstrating that delaying tax payments would have a measurable effect.

Council staff is comfortable not including a "plug amount" of revenue for development that might be generated or accelerated because of this measure, as long as everyone recognizes that the revenue forecasts below are, in this way, slightly-to-moderately conservative. Logic dictates that a version of this Bill would have to be enough of an incentive for at least a handful

[3]One significant revised assumption is that the payment at occupancy permit would be governed by the impact tax rate in effect at that time, rather than the rate in effect when the building permit was issued, if the rate was revised in the meantime. As you know, under County Code §§52-57(g) and 52-90(f) the impact tax rates are revised every odd-numbered year to reflect construction cost inflation or deflation. The Council can also increase or decrease the rates by resolution at any time. This Bill does not affect the actual rates that will be charged. The Committee redraft contains a provision (see ©5, lines 92-93) which makes clear that the amount of tax paid is based on the rate in effect when the tax is paid.

of developments to proceed to construction, even if their carrying costs are only reduced by a few months.

The key results of this joint staff analysis are:

- This Bill as introduced would reduce projected impact tax revenue in the current fiscal year (FY12) by $12.3 million ($9.9 million for schools, $2.4 million for transportation), and over the FY13-18 period by another $7.7 million ($6.1 million for schools, $1.1 million for transportation).

- One amendment -- adding a 2-year sunset date -- would render the bill virtually revenue neutral by the end of FY15. There is a slight net increase in revenue, because some deferred payments would be made after a biennial inflation adjustment.[4]

- A November 1 effective date would reduce the negative impact on revenue in FY12 by about $4.8 million, since some permits issued this winter would reach the occupancy (payment) stage before the end of the fiscal year, rather than in FY13. This means, of course, that the negative revenue impact in FY13 would be increased by about $4.8 million. Revenue in FYs14-18 would not be affected by a different effective date.

- Setting the deferral period to no later than a time certain — 6 months after the building permit is issued for single-family residential buildings, 12 months for everything else — would have nearly the same revenue impact as collecting the tax at occupancy permit.

- The Executive's recommendation, which includes all the individual changes mentioned above (except that the Expedited Bill would take effect on December 1), would reduce projected impact tax revenue in FY12 by $8.9 million ($7.1 million for schools, $1.8 million for transportation) and in FY13 by $3.6 million ($3.2 million for schools, $0.4 million for transportation), but these losses would be recouped in FYs14-15.

These "pure" forecasts are a good way to estimate the Bill's fiscal impact on the County. However, because of the year-to-year volatility of building activity and the unpredictability of when transportation impact tax credits will be exercised, the actual impact tax revenue that materializes is often very different than forecast. In several recent years, revenue from impact taxes was overestimated, leading to the need to supplant impact tax revenue with General Fund advances, which ultimately are reimbursed with funds that otherwise could be used for other projects in the CIP. Starting with the Approved FY11-16 CIP, therefore, the Council initiated the practice of conservatively estimating impact tax revenue. At CIP Reconciliation, if actual revenue proves to be somewhat higher, the Council is able to program the additional amount.

The differences between the "pure" forecast for the baseline, Bill 26-11 as introduced, the Bill with amendments proposed by the Executive, and the amounts actually programmed, are shown below (in thousands of dollars):

[4]Finance Department staff was not asked for other sunset scenarios. However, a 3-year sunset would reach virtual revenue neutrality at the end of FY16, a 4-year sunset at the end of FY17, and a 5-year sunset at the end of FY18. In each case there would be lower revenue in earlier years and commensurately larger revenue in the later years.

School impact tax	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY12-18
Baseline	14,291	14,960	16,824	17,794	19,241	19,838	21,606	124,553
Bill 26-11	4,369	15,826	14,985	17,500	17,722	18,248	19,879	108,531
Exec. rec. (2-yr. sunset)	7,145	11,711	18,031	26,983	19,241	19,838	21,606	124,555
Now programmed	14,480	10,890	11,520	12,100	13,350	-	-	-

Transp. Impact tax	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY12-18
Baseline	3,156	3,194	3,444	3,495	3,697	3,727	3,969	24,681
Bill 26-11	789	3,441	3,066	3,131	3,344	3,361	3,573	20,705
Exec. rec. (2-yr. sunset)	1,410	2,839	3,811	5,231	3,697	3,727	3,968	24,683
Now programmed	6,743	4,373	4,080	4,120	4,410	-	-	-

Total impact tax	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY12-18
Baseline	17,446	18,154	20,268	21,289	22,938	23,565	25,573	149,234
Bill 26-11	5,158	19,267	18,050	20,631	21,066	21,609	23,453	129,236
Exec. rec. (2-yr. sunset)	8,555	14,550	21,842	32,214	22,938	23,565	25,574	149,237
Now programmed	21,223	15,263	15,600	16,220	17,760	-	-	-

From these projections, we find that even the conservative assumption for FY12 is too high: the Council programmed $21,223,000 in impact taxes this year, and only $17,446,000 is anticipated with no change in the law. If Bill 26-11 as introduced is adopted, the result will be a projected programming shortfall this fiscal year of $16,065,000. Under the Committee's recommendation or the Executive's proposal there would be a shortfall of $12,668,000. The shortfall could be made up with a combination of sources:

- The FY12 G.O. Bond reserve stands at **$12,979,000.** Whatever is taken from this amount will not be available for supplemental appropriations for the balance of the fiscal year.
- The final FY11 School Impact Tax revenues collected were about $14,398,000, this is $2,438,000 higher than had been anticipated at CIP Reconciliation. The final FY11 Transportation Impact Tax revenues collected were about $4,637,000, this is $1,313,000 *less* than had been anticipated at CIP Reconciliation. Thus there is a net additional **$1,125,000** available for programming in FY12.
- Any balance left after using these two resources would have to be covered by either deleting or deferring spending from FY12 or by infilling with cash advances from the General Fund reserve.

For FYs13-16, however, the aggregate impact tax revenue assumptions used in the CIP are less in nearly every year than the revenue projected under the baseline, Bill 26-11 as introduced, the Executive's proposal, or the Committee's recommendation. Therefore, no currently programmed projects would need to be deferred in these years due to this bill.[5]

[5]However, some minor adjustments in the mix of G.O. bonds and impact taxes in particular projects will be needed. Note that the programmed amounts for the transportation impact tax are slightly *higher* than Bill 26-11 or the Executive's recommendation in most years, while the programmed amounts for the school impact tax are well lower than either option. The CIP will need to be amended to shift some G.O. bond offsets from school projects to transportation projects. These shifts would not affect the total funding available for each project, but only the mixture of those funds.

Committee recommendation (3-0): Enact the bill with the Executive's proposed amendments, except sunset the Bill in 5 years rather than 2. Doing so accomplishes the same objectives as this Bill as introduced while giving the Council the option of revisiting this issue when, hopefully, the building industry will have sufficiently recovered. Placing a time-certain on the payments assures that impact tax revenue for school and transportation infrastructure is not unduly delayed. Expediting the effective date to December 1 will move the potential positive effects of this bill 2 months sooner while still giving DPS time to adjust its procedures.[6] The Committee redraft on ©1-11 includes these amendments.

The revenue impact over the FY12-18 period—in aggregate—is the same as the 2-year sunset option (see Scenario 6, ©30). The difference is in the distribution of revenue over the last 4 years of the next CIP: about $10.3 million less revenue in FY15, but $1.8 million more in FY16, $0.8 million more in FY17, and $7.7 million more in FY18 (as shown below, in thousands of dollars):

School impact tax	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY12-18**
Baseline	14,291	14,960	16,824	17,794	19,241	19,838	21,606	124,553
Bill 26-11	4,369	15,826	14,985	17,500	17,722	18,248	19,879	108,531
Exec. rec. (2-yr. sunset)	7,145	11,711	18,031	26,983	19,241	19,838	21,606	124,555
GO rec. (5-yr. sunset)	**7,145**	**11,711**	**18,031**	**18,258**	**20,622**	**20,355**	**28,433**	**124,555**
Now programmed	14,480	10,890	11,520	12,100	13,350	-	-	-

Transp. Impact tax	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY12-18**
Baseline	3,156	3,194	3,444	3,495	3,697	3,727	3,969	24,681
Bill 26-11	789	3,441	3,066	3,131	3,344	3,361	3,573	20,705
Exec. rec. (2-yr. sunset)	1,410	2,839	3,811	5,231	3,697	3,727	3,968	24,683
GO rec. (5-yr. sunset)	**1,410**	**2,839**	**3,756**	**3,727**	**4,073**	**4.005**	**4,871**	**24,683**
Now programmed	6,743	4,373	4,080	4,120	4,410	-	-	-

Total impact tax	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY12-18**
Baseline	17,446	18,154	20,268	21,289	22,938	23,565	25,573	149,234
Bill 26-11	5,158	19,267	18,050	20,631	21,066	21,609	23,453	129,236
Exec. rec. (2-yr. sunset)	8,555	14,550	21,842	32,214	22,938	23,565	25,574	149,237
GO rec. (5-yr. sunset)	**8,555**	**14,550**	**21,788**	**21,985**	**24,695**	**24,360**	**33,305**	**149,237**
Now programmed	21,223	15,263	15,600	16,220	17,760	-	-	-

The GO Committee's (as well as the Executive's) amendments result in a smaller revenue shortfall in FY12. This could be covered by a small unprogrammed surplus of FY11 impact tax collections and a large portion of the FY12 G.O. Bond reserve, and thus avoid having to dip into the General Fund reserve. This will leave a small balance in the G.O. Bond reserve for the most critical supplemental appropriation requests.

[6]These amendments also address several technical payment issues raised by the County Attorney which are resolved by the revised payment deadlines in the Executive's amendments. The critical fact assuring ultimate payment of the tax is that, under County Code §52-50(j), the County has a lien on any property for which the impact tax was not paid when due, identical to the lien for nonpayment of property taxes.

TAX SUPPORTED CURRENT REVENUES ADJUSTMENT CHART

FY13-18 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 17, 2012

($ MILLIONS)	6 YEARS	FY13 APPROP	FY14 APPROP(1)	FY15 EXP	FY16 EXP	FY17 EXP	FY18 EXP
TAX SUPPORTED CURRENT REVENUES AVAILABLE	372.844	52.094	80.619	59.090	57.950	56.930	66.160
Adjust for Future Inflation *	(15.840)	-	-	(1.609)	(3.060)	(4.424)	(6.746)
SUBTOTAL CURRENT REVENUE FUNDS AVAILABLE FOR ELIGIBLE PROJECTS (after adjustments)	357.004	52.094	80.619	57.481	54.890	52.506	59.414
Less Set Aside: Future Projects	-	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	357.004	52.094	80.619	57.481	54.890	52.506	59.414
GENERAL FUND							
MCPS	(108.776)	(21.381)	(22.837)	(8.047)	(18.837)	(18.837)	(18.837)
MONTGOMERY COLLEGE	(61.098)	(4.646)	(11.904)	(11.929)	(10.873)	(10.873)	(10.873)
M-NCPPC	(16.388)	(2.648)	(2.748)	(2.748)	(2.748)	(2.748)	(2.748)
HOC	(8.230)	(1.980)	(1.250)	(1.250)	(1.250)	(1.250)	(1.250)
TRANSPORTATION	(56.866)	(8.510)	(8.478)	(9.122)	(9.130)	(10.838)	(10.788)
MC GOVERNMENT	(38.795)	(10.647)	(11.130)	(10.220)	(2.318)	(2.158)	(2.322)
SUBTOTAL - GENERAL FUND	(290.153)	(49.812)	(58.347)	(43.316)	(45.156)	(46.704)	(46.818)
MASS TRANSIT FUND	(63.488)	(1.169)	(21.922)	(13.315)	(9.384)	(5.452)	(12.246)
FIRE CONSOLIDATED	(1.263)	(0.763)	-	(0.500)	-	-	-
PARK FUND	(2.100)	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)
SUBTOTAL - OTHER TAX SUPPORTED	(66.851)	(2.282)	(22.272)	(14.165)	(9.734)	(5.802)	(12.596)
TOTAL PROGRAMMED EXPENDITURES	(357.004)	(52.094)	(80.619)	(57.481)	(54.890)	(52.506)	(59.414)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
* Inflation:		2.50%	2.60%	2.80%	2.70%	2.70%	2.70%

Note:
(1) FY13 APPROP equals new appropriation authority approved at this time. Additional current revenue funded appropriations will require drawing on operating budget fund balances.

20

M-NCPPC BOND ADJUSTMENT CHART

FY13-18 Capital Improvements Program
COUNTY EXECUTIVE RECOMMENDED
January 17, 2012

($ millions)	6 YEARS	FY13	FY14	FY15	FY16	FY17	FY18
BONDS PLANNED FOR ISSUE Assumes Council SAG	36.000	6.000	6.000	6.000	6.000	6.000	6.000
Adjust for Implementation *	5.146	0.896	0.897	0.872	0.849	0.827	0.805
Adjust for Future Inflation *	(1.558)	-	-	(0.163)	(0.317)	(0.466)	(0.612)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	39.588	6.896	6.897	6.709	6.532	6.361	6.193
Less Set Aside: Future Projects	3.477 8.8%	0.525	1.044	0.881	0.208	0.640	0.179
TOTAL FUNDS AVAILABLE FOR PROGRAMMIN	36.111	6.371	5.853	5.828	6.324	5.721	6.014
Programmed P&P Bond Expenditures	(36.111)	(6.371)	(5.853)	(5.828)	(6.324)	(5.721)	(6.014)
SUBTOTAL PROGRAMMED EXPENDITURES	(36.111)	(6.371)	(5.853)	(5.828)	(6.324)	(5.721)	(6.014)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-

NOTES:

* Adjustments Include:

	FY13	FY14	FY15	FY16	FY17	FY18
Inflation =	2.50%	2.60%	2.80%	2.70%	2.70%	2.70%
Implementation Rate =	87.00%	87.00%	87.00%	87.00%	87.00%	87.00%

21