

**COUNTY EXECUTIVE TESTIMONY
SPENDING AFFORDABILITY
FY25-30 CAPITAL IMPROVEMENTS PROGRAM**

September 19, 2023

My name is Rachel Silberman, Capital Budget Manager in the Office of Management and Budget. Thank you for the opportunity to testify on behalf of the County Executive to present his recommendations on Spending Affordability Guidelines for the FY25-30 period.

The County Executive recommends that the Council adopt Spending Affordability Guidelines for County bonds as displayed in the attached Debt Capacity Analysis scenario, with \$280.0 million in bonds planned for issue in each year of the FY25-30 period, for a total of \$1.68 billion for the six-year period. This recommended level is identical to the planned six year-general obligation bond issuance in the Amended Capital Improvement Program. We believe that this level of debt is affordable within our current funding constraints.

Approving less than this recommended level would result in deferrals and reductions of critical projects already programmed in the Capital Improvement Program. Going below this recommended level would pose a serious problem. Recent escalation in the construction market will make it challenging to support previously approved projects within reduced funding guidelines. This general obligation bond ceiling also limits our ability to make critical community investments in additional school construction projects, Montgomery College's East County Campus, add recreational facilities in underserved areas of the County, or make good on our promise to deliver Bus Rapid Transit.

We continue to refine and monitor our fiscal policies to assess opportunities to increase general obligation bond issuance in an affordable manner. The Revenue Estimating Group's September report notes FY23 revenue increases and we will watch revenues through the November revenue distribution to determine whether additional debt is affordable. In addition, we will monitor ongoing work of the State's Commission on Transportation Revenue and Infrastructure Needs which may provide a path forward to supporting important investments in transportation improvements such as Bus Rapid Transit. Additional resources to support capital investments to move our County forward is essential. Historically, policy makers in this County have viewed capital projects as expenditures rather than investments that will improve our economy, strengthen our tax base, and grow our revenues.

For Park and Planning bonds, the Executive recommends \$8.0 million annually and \$48 million for the six-year period. This recommendation is consistent with protecting the capital investment in our parks and the previously approved Park and Planning bonds Spending Affordability Guideline.

Thank you for your consideration of the County Executive's views. Executive branch staff will be available to assist you in Council worksessions.

Attachment

DEBT CAPACITY ANALYSIS**FY25-30 CAPITAL IMPROVEMENTS PROGRAM**

August 28, 2023

COUNTY EXECUTIVE RECOMMENDED**GO BOND 6 YR TOTAL = 1,680.0 MILLION****GO BOND FY25 TOTAL = 280.0.0 MILLION****GO BOND FY26 TOTAL = 280.0 MILLION**

	FY24	FY25	FY26	FY27	FY28	FY29	FY30
1 GO Bond Guidelines (\$000)	280,000	280,000	280,000	280,000	280,000	280,000	280,000
2 GO Debt/Assessed Value	1.63%	1.55%	1.50%	1.46%	1.42%	1.40%	1.38%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	11.10%	11.41%	11.40%	11.35%	11.11%	11.01%	10.96%
4 \$ Debt/Capita	3,225	3,222	3,165	3,103	3,039	2,980	2,942
5 \$ Real Debt/Capita (FY24=100%)	3,225	3,153	3,031	2,907	2,782	2,666	2,572
6 Capita Debt/Capita Income	3.22%	3.17%	3.00%	2.86%	2.72%	2.60%	2.57%
7 Payout Ratio	73.58%	74.36%	74.73%	75.04%	75.26%	75.31%	75.28%
8 Total Debt Outstanding (\$000s)	3,516,750	3,489,910	3,454,060	3,411,665	3,366,300	3,326,225	3,283,820
9 Real Debt Outstanding (FY24=100%)	3,516,750	3,415,392	3,307,365	3,195,636	3,081,087	2,975,123	2,870,350
10 Note: OP/PSP Growth Assumption (2)	5.3%	2.7%	2.8%	2.6%	3.0%	2.4%	2.4%

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 FY24 approved budget to FY25 budget for FY25 and budget to budget for FY26-30.