
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 FY15 Operating Budget for Debt Service is \$348,909,400 an increase of \$29,225,530 or 9.1 percent from the FY14 approved budget of \$319,683,870. This amount excludes \$65,630 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 47.4 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY15-20 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 October 1, 2013, the County Council approved SAG limits at \$295.0 million for FY15, \$295.0 million for FY16 and \$1,770.0 million for the FY15-20 period. On February 4, 2014, the County Council amended the SAG limits to \$324.5 million for FY15, \$324.5 million for FY16 and \$1,947.0 million for the FY15-20 period.

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 FY15. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (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; Noise Abatement Districts; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, and the Cabin John Noise Abatement Fund) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations and short-term financing obligations.

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 include investment income on BANs/commercial paper and 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.

FY14 Estimated Debt Service

FY14 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$301.3 million which is lower than the budget of \$309.2 million due to prior years GO refundings and actual interest rates that were lower than budget.

FY15 Recommended Debt Service Budget

The FY15 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through November 2013) plus the following:

- A fall 2014 (FY15) issue of \$324.5 million at an interest cost of 5.5 percent for 20 years with even principal payments (fall bond issues are expected to continue through FY20).
- Interest expense based on an anticipated average BANs/commercial paper balance of \$500.0 million during FY15.
- 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 FY15 Debt Service requirement for tax supported funds of \$338.7 million, which is a 9.6 percent increase from the FY14 budget of \$309.2 million. The General Fund appropriation requirement is \$290.8 million, or 8.7 percent more than the budgeted FY14 amount of \$267.5 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 86.5 percent for FY15-FY20. The actual interest cost of 5.5 percent is budgeted for the fall 2014 (FY15) issue. Projected interest rates for bond issues for FY15 through FY20 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 \$338.7 million in FY15 to \$419.0 million by FY20 with the General Fund revenue requirement growing from \$290.8 million in FY15 to \$364.4 million by FY20.

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 FY15-20 CIP.

Annual bond-funding requirements (on which future debt issue projections are based) are based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and

second years and for the six years, and the County Executive's Recommended FY15-20 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY15-20 CIP is included at the end of this section.

Debt Limit

The County's outstanding general obligation debt totals \$2,249,825,000 as of June 30, 2013. 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, 2013, is \$10,037,041,664 based upon the assessed valuation \$158,272,830,848 for all real property and \$3,604,478,750 for personal property. The County's outstanding general obligation debt of \$2,249,825,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.70 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 2013 (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 HOC. Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the MHI fund support the repayment shown in the Debt Service Fund.

The FY15 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 (QECCB) 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.

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.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion. Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved Resolution 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg Village and Clarksburg Skylark. In January 2008, the County Executive transmitted to the Council the Fiscal Report for Clarksburg Village and Clarksburg Skylark recommending the creation of the development districts.

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.

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 FY13	Budget FY14	Estimated FY14	Recommended FY15	% Chg Bud/Rec
DEBT SERVICE					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	264,496,750	283,663,290	279,867,012	311,115,210	9.7%
Debt Service Other	27,286,282	25,493,180	21,479,480	27,578,980	8.2%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	291,783,032	309,156,470	301,346,492	338,694,190	9.6%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					
Federal Grants	0	5,778,730	5,811,730	5,928,730	2.6%
Investment Income	114	70,000	0	0	—
Miscellaneous Revenues	1,284,836	0	0	0	—
Other Intergovernmental	6,111,775	0	0	0	—
Debt Service Revenues	7,396,725	5,848,730	5,811,730	5,928,730	1.4%
DEBT SERVICE - NON-TAX SUPPORTED					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service - Non-Tax Supported Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service Other	6,529,175	10,527,400	7,967,400	10,215,210	-3.0%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	6,529,175	10,527,400	7,967,400	10,215,210	-3.0%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
DEPARTMENT TOTALS					
Total Expenditures	298,312,207	319,683,870	309,313,892	348,909,400	9.1%
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	7,396,725	5,848,730	5,811,730	5,928,730	1.4%

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

	Actual FY12	Actual FY13	Budget FY14	Estimated FY14	Recommended FY15	% Chg App/Rec	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	30,543,387	31,544,095	43,669,580	43,034,578	47,398,490		15.5%
Roads & Storm Drains	55,703,984	60,350,215	60,881,770	60,263,490	68,437,830		22.4%
Public Housing	-	-	8,430	13,570	65,640		0.0%
Parks	8,524,688	9,192,758	9,215,400	9,167,030	9,906,220		3.2%
Public Schools	115,105,587	121,987,885	124,466,930	122,759,135	133,221,530		43.5%
Montgomery College	13,544,588	14,902,744	15,783,460	15,443,075	17,841,820		5.8%
Bond Anticipation Notes/Commercial Paper	468,332	753,371	1,255,000	700,000	1,000,000		
Bond Anticipation Notes/Liquidity & Remarketing	3,275,481	2,719,343	3,000,000	3,000,000	3,000,000		
Cost of Issuance	645,489	623,713	1,180,600	850,000	1,000,000		
Total General Fund	227,811,536	242,074,124	259,461,170	255,230,878	281,871,530	8.6%	90.4%
Fire Tax District Fund	6,686,464	6,886,445	7,084,290	7,098,665	8,438,020		2.8%
Mass Transit Fund	3,620,529	6,235,302	8,199,410	8,642,566	11,046,940		3.6%
Recreation Fund	8,106,417	9,270,330	8,918,420	8,894,903	9,758,720		3.2%
Bradley Noise Abatement Fund	24,864	23,549	-	-	-		0.0%
Cabin John Noise Abatement Fund	7,388	7,000	-	-	-		0.0%
Total Tax Supported Other Funds	18,445,662	22,422,626	24,202,120	24,636,134	29,243,680	20.8%	9.6%
TOTAL TAX SUPPORTED	246,257,198	264,496,750	283,663,290	279,867,012	311,115,210	9.7%	100.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	246,257,198	264,496,750	283,663,290	279,867,012	311,115,210	9.7%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	1,903,886	309,649	645,340	645,340	981,140		
Revenue Authority - HHS Piccard Drive	633,038	636,870	638,690	638,690	638,580		
Silver Spring Garages	5,554,164	5,070,347	-	-	-		
Revenue Authority - Recreation Pools	2,325,680	2,323,016	1,834,050	1,834,050	1,834,300		
Fire and Rescue Equipment	4,459,475	4,418,126	3,780,600	3,780,600	3,741,600		
TOTAL LONG-TERM LEASE EXPENDITURES	14,876,243	12,758,008	6,898,680	6,898,680	7,195,620	4.3%	
SHORT-TERM LEASE EXPENDITURES / FINANCING							
Technology Modernization Project	4,645,524	5,659,962	6,347,200	5,660,200	6,780,200		
Libraries System Modernization	-	-	53,000	-	98,000		
Ride On Buses	3,798,450	3,801,617	5,815,700	3,802,000	6,675,950		
Public Safety System Modernization	2,186,770	4,373,540	5,519,600	4,373,600	5,223,600		
Fire and Rescue Apparatus	-	-	-	-	-		
Fuel Management System	-	-	165,000	-	480,000		
TOTAL SHORT-TERM LEASE EXPENDITURES	10,630,744	13,835,119	17,900,500	13,835,800	19,257,750	7.6%	
OTHER LONG-TERM DEBT							
Silver Spring Music Venue - Tax supported	244,712	293,155	294,000	294,000	295,610		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000		
Qualified Energy Conservation Bond - Tax supported	-	-	-	51,000	430,000		
MHI-HUD Loan - Non-Tax supported	71,725	69,769	67,730	67,730	65,630		
Water Quality Protection Bonds - Non-Tax supported	-	2,122,601	3,017,000	3,017,000	3,019,200		
MHI - Property Acquisition Fund - Non-Tax supported	4,088,162	4,406,574	7,510,400	4,950,400	7,196,010		
TOTAL OTHER LONG-TERM DEBT	4,804,599	7,292,099	11,289,130	8,780,130	11,406,450	1.0%	
DEBT SERVICE EXPENDITURES							
Tax Supported	272,408,897	291,783,032	309,156,470	301,346,492	338,694,190		
Non-Tax Supported - Other Long-term Debt	4,159,887	6,598,944	10,595,130	8,035,130	10,280,840		
TOTAL DEBT SERVICE EXPENDITURES	276,568,784	298,381,976	319,751,600	309,381,622	348,975,030	9.1%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	219,829,713	235,481,958	253,612,440	249,452,148	276,092,800		
Other Interest: Installment Notes, Interest & Penalties	2,225,680	1,284,836	-	-	-		
BAN/Commercial Paper Investment Income	17,222	114	70,000	-	-		
Federal Subsidy on General Obligation Bonds	6,278,732	6,111,775	5,778,730	5,778,730	5,778,730		
Premium on General Obligation Bonds	642,202	-	-	-	-		
Total General Fund Sources	228,993,549	242,878,683	259,461,170	255,230,878	281,871,530		
Fire Tax District Funds	6,571,643	6,799,377	7,084,290	7,098,665	8,438,020		
Mass Transit Fund	2,816,245	5,805,704	8,199,410	8,642,566	11,046,940		
Recreation Fund	7,843,508	8,982,438	8,918,420	8,894,903	9,758,720		
Bradley Noise Abatement Fund	24,864	23,549	-	-	-		
Cabin John Noise Abatement Fund	7,388	7,000	-	-	-		
Total Other Funding Sources	17,263,648	21,618,068	24,202,120	24,636,134	29,243,680		
TOTAL GO BOND FUNDING SOURCES	246,257,197	264,496,751	283,663,290	279,867,012	311,115,210		
NON GO BOND FUNDING SOURCES							
General Funds	15,568,095	16,743,522	13,897,830	12,029,830	14,697,130		
MHI Fund - HUD Loan	71,725	69,769	67,730	67,730	65,630		
Water Quality Protection Fund	-	2,122,601	3,017,000	3,017,000	3,019,200		
MHI - Property Acquisition Fund	4,088,162	4,406,574	7,510,400	4,950,400	7,196,010		
Federal Subsidy - Qualified Energy Conservation Bond	-	-	-	33,000	150,000		
Mass Transit Fund	3,798,450	3,801,617	5,815,700	3,802,000	6,675,950		
Recreation Fund	2,325,680	2,323,016	1,834,050	1,834,050	1,834,300		
Fire Tax District Fund	4,459,475	4,418,126	3,945,600	3,780,600	4,221,600		
TOTAL NON GO BOND FUNDING SOURCES	30,311,587	33,885,225	36,088,310	29,514,610	37,859,820		
TOTAL FUNDING SOURCES	276,568,784	298,381,976	319,751,600	309,381,622	348,975,030		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	320,000,000	295,000,000	295,000,000	295,000,000	324,500,000		
Council SAG Approved Bond Funded Expenditures	325,000,000	295,000,000	295,000,000	295,000,000	324,500,000		

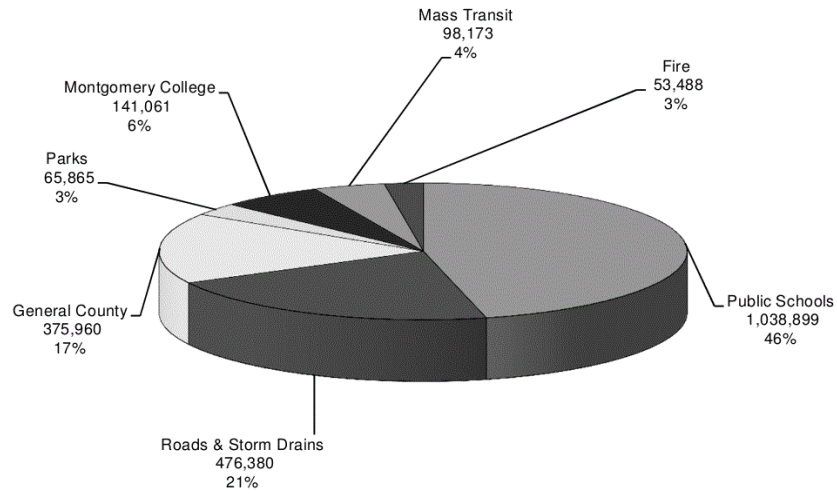
DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT

	Recommended FY15	Projected FY16	Projected FY17	Projected FY18	Projected FY19	Projected FY20
GO BOND DEBT SERVICE EXPENDITURES						
General County	47,398,490	54,200,320	59,542,110	62,930,250	68,264,100	68,079,940
Roads & Storm Drains	68,437,830	68,574,830	70,458,400	72,543,450	76,097,440	83,901,580
Public Housing	65,640	64,050	62,480	60,730	58,980	57,230
Parks	9,906,220	9,151,000	9,415,820	10,386,820	11,137,080	11,824,010
Public Schools	133,221,530	142,029,940	149,382,880	151,512,300	156,786,050	161,673,520
Montgomery College	17,841,820	20,546,920	22,580,320	24,473,280	24,824,430	25,795,560
Bond Anticipation Notes/Commercial Paper	1,000,000	1,750,000	3,000,000	4,250,000	5,500,000	7,000,000
Bond Anticipation Notes/Liquidity & Remarketing	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cost of Issuance	1,000,000	1,023,000	1,051,200	1,078,000	1,103,400	1,127,800
Total General Fund	281,871,530	300,340,060	318,493,210	330,234,830	346,771,480	362,459,640
Fire Tax District Fund	8,438,020	8,128,130	8,599,860	9,516,070	11,194,180	13,633,090
Mass Transit Fund	11,046,940	13,419,710	14,110,660	15,640,870	16,835,800	17,646,210
Recreation Fund	9,758,720	8,987,480	9,378,870	9,431,170	9,194,310	8,862,040
Total Tax Supported Other Funds	29,243,680	30,535,320	32,089,390	34,588,110	37,224,290	40,141,340
TOTAL TAX SUPPORTED	311,115,210	330,875,380	350,582,600	364,822,940	383,995,770	402,600,980
TOTAL GO BOND DEBT SERVICE EXPENDITURES	311,115,210	330,875,380	350,582,600	364,822,940	383,995,770	402,600,980
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	981,140	985,040	988,540	986,640	989,440	991,850
Revenue Authority - HHS Piccard Drive	638,580	641,520	642,500	-	-	-
Revenue Authority - Recreation Pools	1,834,300	1,836,050	1,834,050	1,834,450	1,832,250	-
Fire and Rescue Equipment	3,741,600	3,723,200	3,715,800	3,717,900	-	-
TOTAL LONG-TERM LEASE EXPENDITURES	7,195,620	7,185,810	7,180,890	6,538,990	2,821,690	991,850
SHORT-TERM LEASE EXPENDITURES / FINANCING						
Technology Modernization Project	6,780,200	7,130,200	7,130,200	3,499,000	2,484,500	1,470,000
Libraries System Modernization	98,000	128,500	128,500	128,500	128,500	30,500
Ride On Buses	6,675,950	8,492,540	9,234,790	5,433,590	5,433,590	5,433,590
Public Safety System Modernization	5,223,600	6,990,600	6,302,800	4,330,000	4,330,000	3,480,000
Fire and Rescue Apparatus	-	1,010,200	1,667,500	2,361,200	2,994,100	3,505,000
Fuel Management System	480,000	960,000	960,000	960,000	960,000	480,000
TOTAL SHORT-TERM LEASE EXPENDITURES	19,257,750	24,712,040	25,423,790	16,712,290	16,330,690	14,399,090
OTHER LONG-TERM DEBT						
Silver Spring Music Venue - Tax supported	295,610	295,100	290,500	290,800	291,000	291,000
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000	400,000
Qualified Energy Conservation Bond - Tax supported	430,000	324,500	325,500	326,500	327,000	321,500
MHI-HUD Loan - Non-Tax supported	65,630	63,480	61,274	59,021	56,727	54,396
Water Quality Protection Bonds - Non-Tax supported	3,019,200	3,020,250	7,432,400	7,430,100	12,646,200	12,839,650
MHI - Property Acquisition Fund - Non-Tax supported	7,196,010	7,196,110	7,200,310	7,208,010	7,201,510	7,205,600
TOTAL OTHER LONG-TERM DEBT	11,406,450	11,299,440	15,709,984	15,714,431	20,922,437	21,112,146
DEBT SERVICE EXPENDITURES						
Tax Supported	338,694,190	363,792,830	384,203,280	389,091,520	404,166,150	419,004,420
Non-Tax Supported - Other Long-term Debt	10,280,840	10,279,840	14,693,984	14,697,131	19,904,437	20,099,646
TOTAL DEBT SERVICE EXPENDITURES	348,975,030	374,072,670	398,897,264	403,788,651	424,070,587	439,104,066
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	276,092,800	294,633,060	313,043,210	324,884,830	341,701,480	357,589,640
Federal Subsidy on General Obligation Bonds	5,778,730	5,707,000	5,450,000	5,350,000	5,070,000	4,870,000
Total General Fund Sources	281,871,530	300,340,060	318,493,210	330,234,830	346,771,480	362,459,640
Fire Tax District Fund	8,438,020	8,128,130	8,599,860	9,516,070	11,194,180	13,633,090
Mass Transit Fund	11,046,940	13,419,710	14,110,660	15,640,870	16,835,800	17,646,210
Recreation Fund	9,758,720	8,987,480	9,378,870	9,431,170	9,194,310	8,862,040
Total Other Funding Sources	29,243,680	30,535,320	32,089,390	34,588,110	37,224,290	40,141,340
TOTAL GO BOND FUNDING SOURCES	311,115,210	330,875,380	350,582,600	364,822,940	383,995,770	402,600,980
NON GO BOND FUNDING SOURCES						
General Funds	14,697,130	16,749,460	16,067,540	9,825,440	8,818,840	6,859,350
MHI Fund - HUD Loan	65,630	63,480	61,274	59,021	56,727	54,396
Water Quality Protection Fund	3,019,200	3,020,250	7,432,400	7,430,100	12,646,200	12,839,650
MHI - Property Acquisition Fund	7,196,010	7,196,110	7,200,310	7,208,010	7,201,510	7,205,600
Federal Subsidy - Qualified Energy Conservation Bond	150,000	146,000	141,000	136,000	131,600	125,500
Mass Transit Fund	6,675,950	8,492,540	9,234,790	5,433,590	5,433,590	5,433,590
Recreation Fund	1,834,300	1,836,050	1,834,050	1,834,450	1,832,250	-
Fire Tax District Fund	4,221,600	5,693,400	6,343,300	7,039,100	3,954,100	3,985,000
TOTAL NON GO BOND FUNDING SOURCES	37,859,820	43,197,290	48,314,664	38,965,711	40,074,817	36,503,086
TOTAL FUNDING SOURCES	348,975,030	374,072,670	398,897,264	403,788,651	424,070,587	439,104,066
TOTAL GENERAL OBLIGATION BOND SALES						
Estimated Bond Sales	324,500,000	324,500,000	324,500,000	324,500,000	324,500,000	324,500,000
Council SAG Approved Bond Funded Expenditures	324,500,000	324,500,000	324,500,000	324,500,000	324,500,000	324,500,000
ESTIMATED INTEREST RATE	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

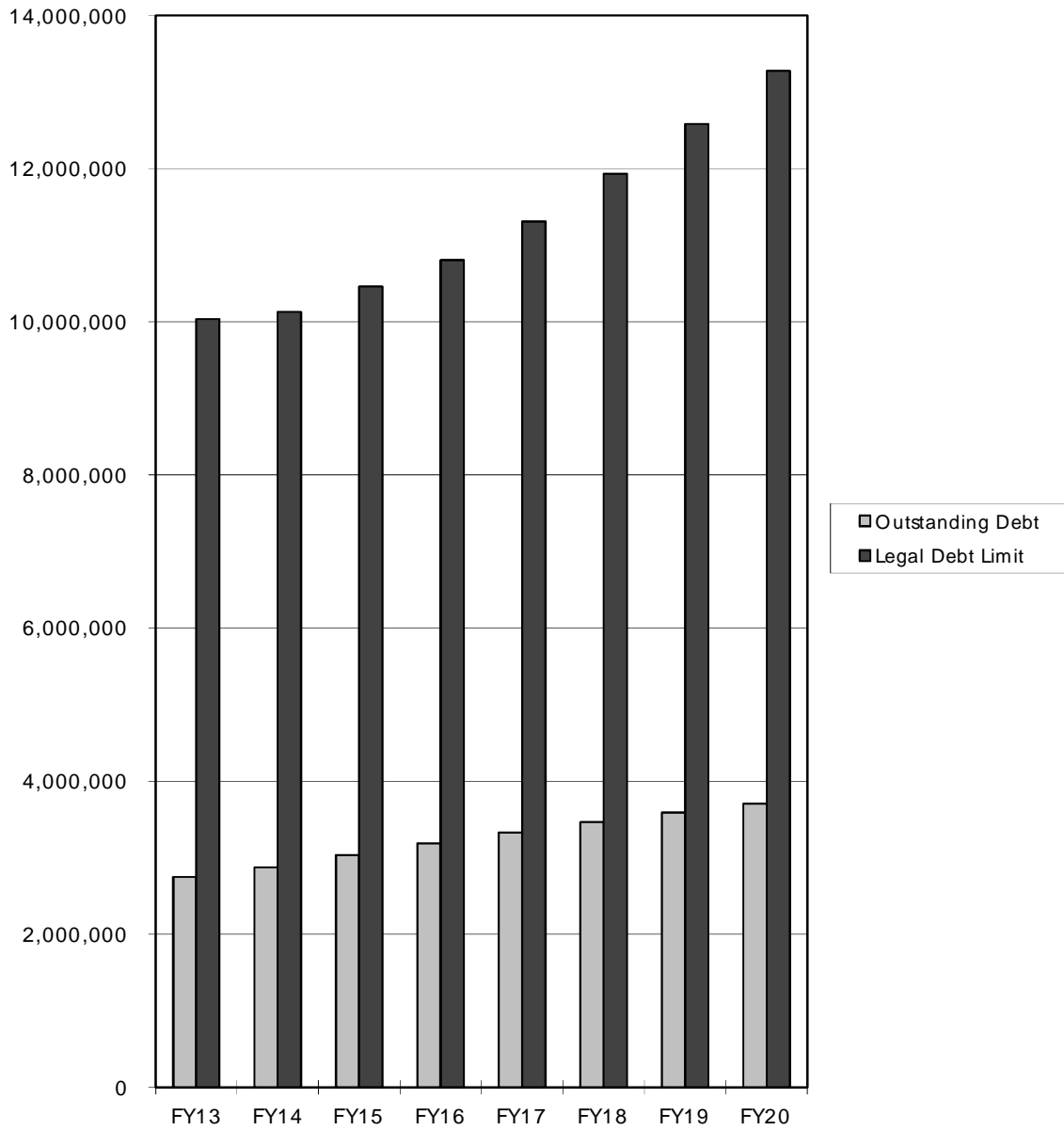
**Projected Debt Obligations
Schedule of Principal & Interest
FY15 Recommended Budget**

FUND	Principal	Interest	Total
Debt Service Fund	221,838,089	127,071,311	348,909,400
Liquor Control (Section 65)	4,896,000	5,227,000	10,123,000
Montgomery Housing Initiative	43,000	22,630	65,630
Bethesda Parking Lot District (Section 46)	3,120,000	1,839,790	4,959,790
Total	229,897,089	134,160,731	364,057,820

General Obligation Bonds Outstanding by Bond Category
(\$000s)
Total \$2,249,825 as of June 30, 2013



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



DEBT CAPACITY ANALYSIS

**FY15-20 Capital Improvements Program
COUNTY EXECUTIVE RECOMMENDED
MARCH 17, 2014**

**GO BOND 6 YR TOTAL = 1,947.0 MILLION
GO BOND FY15 TOTAL = 324.5 MILLION
GO BOND FY16 TOTAL = 324.5 MILLION**

	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1 GO Bond Guidelines (\$000)	295,000	324,500	324,500	324,500	324,500	324,500	324,500
2 GO Debt/Assessed Value	1.76%	1.78%	1.78%	1.76%	1.72%	1.67%	1.62%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	10.31%	10.94%	11.23%	11.42%	11.15%	11.20%	11.36%
4 \$ Debt/Capita	2,848	2,946	3,036	3,114	3,186	3,246	3,295
5 \$ Real Debt/Capita (FY14=100%)	2,848	2,887	2,911	2,913	2,903	2,888	2,866
6 Capita Debt/Capita Income	3.71%	3.63%	3.58%	3.53%	3.53%	3.52%	3.49%
7 Payout Ratio	68.62%	68.67%	68.81%	69.05%	69.35%	70.07%	70.77%
8 Total Debt Outstanding (\$000s)	2,873,315	3,004,815	3,124,770	3,234,330	3,338,610	3,432,390	3,515,855
9 Real Debt Outstanding (FY14=100%)	2,873,315	2,945,031	2,996,086	3,024,907	3,042,419	3,053,675	3,058,203
10 Note: OP/PSP Growth Assumption (2)		3.0%	4.1%	3.2%	3.2%	3.2%	2.6%

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 FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.