



Debt Service

Mission Statement

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

Budget Overview

The total recommended FY17 Operating Budget for Debt Service is \$397,600,850 an increase of \$38,601,765 or 10.8 percent from the FY16 approved budget of \$358,999,085. This amount excludes \$61,280 in debt service which is appropriated in non-tax supported funds.

General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 45.3 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY17-22 CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefiting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local regulations, interest rates are lower than in the private sector.

"General obligation" refers to the fact that the bonds are backed by the "full faith and credit" of the County and its general revenue stream. In addition, the Montgomery County Charter provides that the Director of Finance must make debt service payments even if the Council fails to provide sufficient appropriation. County G.O. bonds are exempt from Federal taxes and also from State taxes for citizens of Maryland. Finally, the County strives to maintain its total and projected outstanding debt and debt service within certain financial parameters according to the County's fiscal policy. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. On September 29, 2015, the County Council approved SAG limits at \$340.0 million for FY17, \$340.0 million for FY18 and \$2,040.0 million for the FY17-22 period. On February 2, 2016, the County Council confirmed the guidelines set on September 29, 2015.

Debt Service Program

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY17. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes); Roads and Storm Drains; Public Housing; Parks (including land and development for M-NCPPC regional and Countywide use parks); Public Schools; Montgomery College; Fire Tax District; Mass Transit Fund; Recreation Fund; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Fire Tax District, Mass Transit, and Recreation) as appropriate. These appropriations include debt service for G.O. bond issues outstanding and other long-term and short-term financing.

Certain other expenditures and revenues are included in Debt Service budget calculations. The total Debt Service budget consists of principal and interest on the bonds and other long-term and short-term financing obligations. Bond anticipation notes (BANs)/commercial paper are

short-term capital financing instruments issued with the expectation that the principal amount will be refunded with long-term bonds. In the meantime, interest costs are incurred, usually at lower rates than with more permanent financing. Cost of issuance includes the legal, administrative, and production cost of rating, issuing, and selling bonds, BANs/commercial paper and short- and long-term lease obligations as well as financial advisory services. Funding sources which offset the General Fund requirement for Debt Service may include premium on bonds issued. The special funds will fund the Debt Service appropriation via a transfer from individual special funds to the Debt Service Fund.

FY16 Estimated Debt Service

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

FY17 Recommended Debt Service Budget

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

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

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

Public Services Program

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation, and implementation of the capital program at a projected 100.0 percent for FY17-FY22. An estimated interest cost of 5.5 percent is budgeted for the fall 2016 (FY17) issue. Projected interest rates for bond issues for FY17 through FY22 are based on market expectations for coupon rates, which drive actual debt service costs. Under these projections and assumptions, tax-supported Debt Service will increase from \$383.3 million in FY17 to \$459.3 million by FY22 with the General Fund revenue requirement growing from \$319.9 million in FY17 to \$396.5 million by FY22.

Capital Improvements Program Impact On Operating Budget

Debt Service Requirements

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

The County Council adopts Spending Affordability Guidelines for the Capital Budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other short- and long-term commitments, are expected to stay manageable, representing about ten percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased Debt Service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues for the six years which are the basis of the G.O. bond-funded portion of the Recommended FY17-22 CIP. Annual bond-funding requirements (on which future debt issue projections are based) are based

on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Recommended FY17-22 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY17-22 CIP is included at the end of this section.

Debt Limit

The County's outstanding general obligation debt totals \$2,644,750,000 as of June 30, 2015. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2015, is \$10,367,675,474 based upon the assessed valuation \$163,656,758,206 for all real property and \$3,665,133,210 for personal property. The County's outstanding general obligation debt of \$2,644,750,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.88 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2015 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet.

Leases and Other Debt

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term financing, where the payments represent a substantial County commitment for the acquisition of assets which have a shorter life, but still result in a substantial asset, are also displayed and appropriated within this Fund. Loan payments to HUD are related to a HUD Section 108 program loan that was received by the County.

The County re-loaned the funds to Housing Opportunities Commission(HOC). Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the Montgomery Housing Initiative (MHI) fund support the repayment shown in the Debt Service Fund. The FY17 appropriations for the long- and short-term financing are displayed in a chart at the end of this section.

Other Long-Term Debt

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

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

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

Rating Agency Reviews

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

Special Taxing Districts

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

The West Germantown Development District was created in an unincorporated area of Montgomery County, encompassing approximately 671 acres. Various transportation, local park, and sewer infrastructure improvements were constructed by developers and acquired by the County at completion for a total cost of \$15.9 million. Special obligation bonds were issued in March 2002. In August 2014 the County issued \$12.02 million of bonds to refund all of the outstanding bonds.

The Kingsview Village Center Development District was created in an unincorporated area of Montgomery County, encompassing approximately 29 acres. Various transportation improvements were constructed by developers and acquired by the County at completion for a total cost of \$2.4 million. Special obligation bonds were issued in December 1999. In August 2014 the County issued \$1.4 million of bonds to refund the outstanding 1999 Series bonds.

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

The County issues special obligation bonds to fund the acquisition of the completed infrastructure assets. The debt service on the special obligation debt is funded by an ad valorem tax and special benefit assessment levied on the properties located in the development district. The County Council, by separate resolution, sets the ad valorem tax and special benefit assessment at rates sufficient to pay the principal, interest, any redemption premium on the bonds, and administrative expenses. Revenues resulting from the ad valorem tax and special benefit assessed, and expenditures for the debt service on the special obligation bonds and administrative expenses, are accounted for in an agency fund, because the County has no obligation whatsoever for the indebtedness. The County acts only as a financing conduit and agent for the property owners and bondholders. In accordance with Section 20A-1 of the Montgomery County Code, the bonds or other obligations issued may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power.

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

Linkage to County Result Areas

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

 **Not Applicable**

Program Contacts

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

Budget Summary

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

DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT							
	Actual FY14	Actual FY15	Budget FY16	Estimated FY16	Recommended FY17	% Chg Bud/Rec	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	42,875,231	46,989,995	51,742,730	51,666,053	59,184,220		17.1%
Roads & Storm Drains	59,990,819	67,396,632	62,163,950	62,101,823	70,224,000		20.3%
Public Housing	13,562	65,625	258,810	64,050	62,470		0.0%
Parks	9,119,493	9,714,221	8,339,930	8,086,019	8,237,270		2.4%
Public Schools	122,363,519	133,188,736	135,717,510	135,505,954	150,187,650		43.4%
Montgomery College	15,391,009	18,046,881	21,904,420	21,904,420	23,688,760		6.8%
Bond Anticipation Notes/Commercial Paper	428,377	309,534	1,200,000	500,000	2,400,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,574,642	2,099,233	2,500,000	2,500,000	2,500,000		
Cost of Issuance	661,347	897,494	1,183,000	1,183,000	1,203,000		
Total General Fund	253,417,999	278,708,351	285,010,350	283,511,319	317,687,430	11.5%	90.0%
Fire Tax District Fund	7,078,100	8,207,008	7,238,360	7,020,527	7,491,440		2.2%
Mass Transit Fund	8,637,569	11,836,166	17,248,520	17,200,152	18,863,850		5.4%
Recreation Fund	8,893,735	9,338,662	7,322,070	7,292,626	8,327,890		2.4%
Total Tax Supported Other Funds	24,609,404	29,381,836	31,808,950	31,513,305	34,683,180	9.0%	10.0%
TOTAL TAX SUPPORTED	278,027,403	308,090,187	316,819,300	315,024,624	352,370,610	11.2%	100.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	278,027,403	308,090,187	316,819,300	315,024,624	352,370,610	11.2%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	645,334	981,134	985,040	985,040	988,540		
Revenue Authority - HHS Piccard Drive	638,689	391,106	394,400	394,400	395,800		
Revenue Authority - Recreation Pools	1,834,050	1,522,159	1,525,040	1,525,040	1,524,500		
Fire and Rescue Equipment	3,780,600	3,741,600	3,723,200	3,723,200	3,715,800		
TOTAL LONG-TERM LEASE EXPENDITURES	6,898,673	6,635,999	6,627,680	6,627,680	6,624,640	0.0%	
SHORT-TERM LEASE EXPENDITURES / FINANCING							
Technology Modernization Project	5,659,962	5,659,962	7,310,200	5,660,200	7,294,600		
Libraries System Modernization	-	-	128,500	128,500	128,500		
Ride On Buses	3,802,000	6,625,835	8,396,640	8,253,800	9,138,890		
Public Safety System Modernization	4,373,540	4,373,540	6,990,600	5,327,400	4,907,600		
Fire and Rescue Apparatus	-	-	1,010,200	-	1,010,200		
Fuel Management System	-	-	480,000	480,000	791,600		
TOTAL SHORT-TERM LEASE EXPENDITURES	13,835,502	16,659,337	24,316,140	19,849,900	23,271,390	-4.3%	
OTHER LONG-TERM DEBT							
Silver Spring Music Venue - Tax supported	293,955	294,606	295,105	295,105	290,500		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000		
Qualified Energy Conservation Bond - Tax supported	50,994	429,522	324,500	324,500	325,500		
MHI-HUD Loan - Non-Tax supported	67,729	65,630	63,480	63,480	61,280		
Water Quality Protection Charge Bonds - Non-Tax supported	3,016,160	3,018,850	3,020,250	3,020,250	6,367,900		
MHI - Property Acquisition Fund - Non-Tax supported	4,949,804	7,195,949	7,196,110	7,196,110	7,950,310		
TOTAL OTHER LONG-TERM DEBT	8,778,642	11,404,557	11,299,445	11,299,445	15,395,490	36.2%	
DEBT SERVICE EXPENDITURES							
Tax Supported	299,506,527	332,509,651	348,782,725	342,521,809	383,282,640		
Non-Tax Supported - Other Long-term Debt	8,033,693	10,280,429	10,279,840	10,279,840	14,379,490		
TOTAL DEBT SERVICE EXPENDITURES	307,540,220	342,790,080	359,062,565	352,801,649	397,662,130	10.8%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	244,144,296	268,947,012	267,814,910	262,805,857	305,294,670		
Other Interest: Installment Notes, Interest & Penalties	334,924	10,682	-	-	-		
BAN/Commercial Paper Investment Income	95,589	8,957	-	-	-		
Federal Subsidy on General Obligation Bonds	5,808,511	5,848,290	5,707,000	5,707,000	5,450,000		
Premium on General Obligation Bonds	3,088,117	5,236,781	11,488,440	14,998,462	6,942,760		
Total General Fund Sources	253,471,437	280,051,722	285,010,350	283,511,319	317,687,430		
Fire Tax District Funds	7,781,477	7,941,508	7,238,360	7,020,527	7,491,440		
Mass Transit Fund	8,175,611	10,902,479	17,248,520	17,200,152	18,863,850		
Recreation Fund	8,598,881	9,065,412	7,322,070	7,292,626	8,327,890		
Total Other Funding Sources	24,555,969	27,909,399	31,808,950	31,513,305	34,683,180		
TOTAL GO BOND FUNDING SOURCES	278,027,406	307,961,121	316,819,300	315,024,624	352,370,610		
NON GO BOND FUNDING SOURCES							
General Funds	12,062,471	12,448,546	16,682,345	13,368,625	14,590,040		
MHI Fund - HUD Loan	67,729	65,630	63,480	63,480	61,280		
Water Quality Protection Fund	3,016,160	3,018,850	3,020,250	3,020,250	6,367,900		
MHI - Property Acquisition Fund	4,949,804	7,195,949	7,196,110	7,196,110	7,950,310		
Federal Subsidy - Qualified Energy Conservation Bond	-	108,313	146,000	146,520	141,000		
Mass Transit Fund	3,802,000	3,802,000	8,396,640	8,253,800	9,138,890		
Recreation Fund	1,834,050	1,522,159	1,525,040	1,525,040	1,524,500		
Fire Tax District Fund	3,780,600	1,400,030	5,213,400	4,203,200	5,517,600		
Energy Savings	-	102,077	-	-	-		
State Grant for Ride On Buses	-	2,823,835	-	-	-		
Fire 2007 Certificates of Participation Closeout	-	2,341,570	-	-	-		
TOTAL NON GO BOND FUNDING SOURCES	29,512,814	34,828,959	42,243,265	37,777,025	45,291,520		
TOTAL FUNDING SOURCES	307,540,220	342,790,080	359,062,565	352,801,649	397,662,130		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	295,000,000	500,000,000	324,500,000	300,000,000	340,000,000		
Council SAG Approved Bond Funded Expenditures	295,000,000	299,500,000	340,000,000	340,000,000	340,000,000		

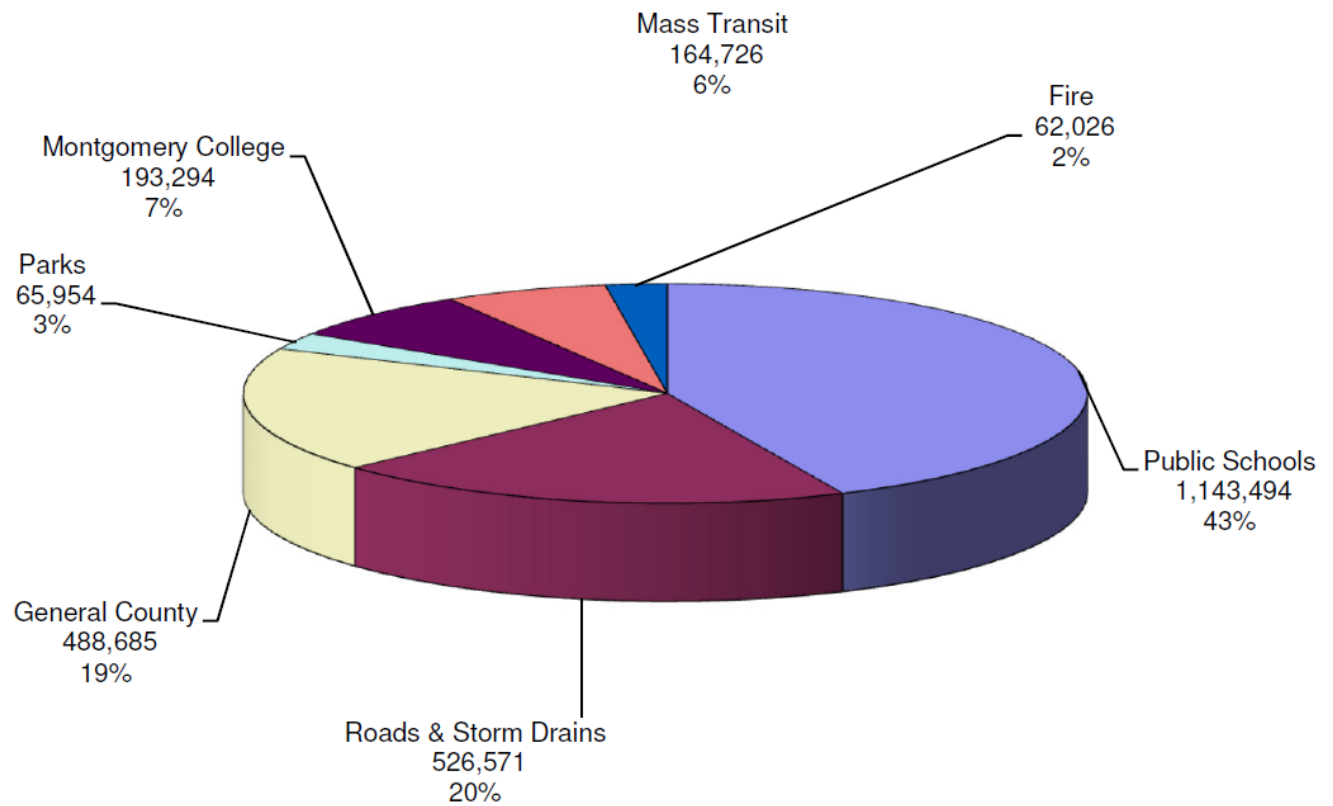
DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT						
	Recommended FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21	Projected FY22
GO BOND DEBT SERVICE EXPENDITURES						
General County	59,184,220	64,383,400	72,296,180	73,919,840	72,860,850	72,222,210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

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

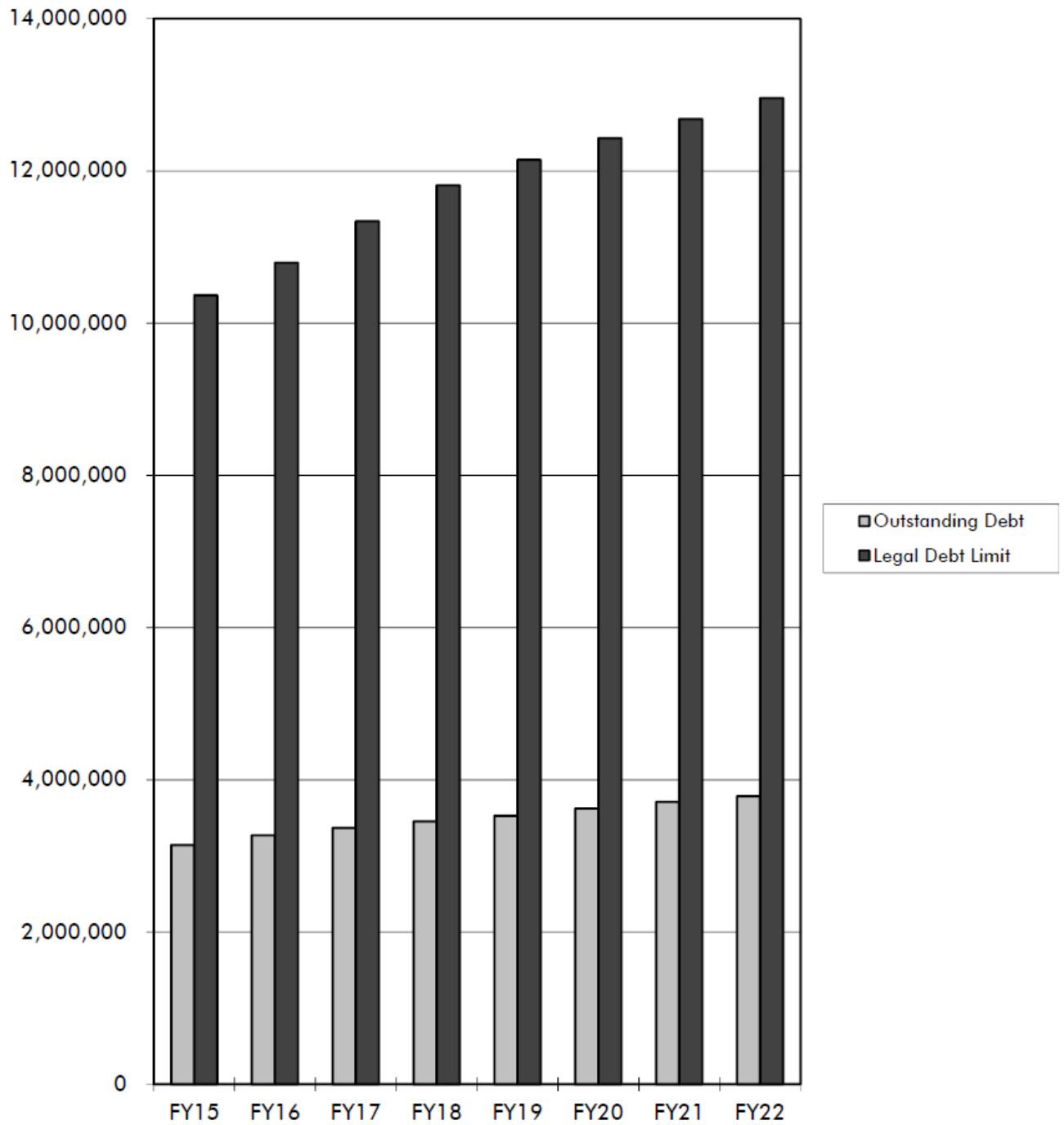
<u>FUND</u>	Principal	Interest	Total
Debt Service Fund	252,583,563	145,017,287	397,600,850
Liquor Control (Section 65)	6,058,440	4,874,460	10,932,900
Montgomery Housing Initiative	43,000	18,280	61,280
Bethesda Parking Lot District (Section 46)	3,158,000	1,416,347	4,574,347
Total	261,843,003	151,326,374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

General Obligation Bonds Outstanding by Bond Category
(\$000s)

Total \$2,644,750 as of June 30, 2015



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



DEBT CAPACITY ANALYSIS

FY17-22 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

MARCH 15, 2016

GO BOND 6 YR TOTAL = 2,040.0 MILLION

GO BOND FY17 TOTAL = 340.0 MILLION

GO BOND FY18 TOTAL = 340.0 MILLION

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

Notes:

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

(2) OP/PSP Growth Assumption equals change in revenues from FY16 approved budget to FY17 budget for FY17 and budget to budget for FY18-22.

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY17-22 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

March 15, 2016

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