



Debt Service

RECOMMENDED FY19 BUDGET

\$429,074,110

FULL TIME EQUIVALENTS

0.00

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 (Montgomery County Government, Maryland-National Capital Park and Planning Commission, Montgomery County Public Schools, and Montgomery College), as well as other associated costs. Non-tax supported debt repayment related to the Montgomery Housing Initiative Property Acquisition Fund and Water Quality Protection bonds are also included.

BUDGET OVERVIEW

The total recommended FY19 Operating Budget for Debt Service is \$429,074,110 an increase of \$20,840,440 or 5.1 percent from the FY18 approved budget of \$408,233,670. This amount excludes \$56,750 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 36.9 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY19-24 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 3, 2017 the County Council approved SAG limits at \$330.0 million for FY19, \$320.0 million for FY20 and \$1,860.0 million for the FY19-24 period. On February 6, 2018, the County Council confirmed the guidelines set on October 3, 2017,

Debt Service Program

The annual debt service obligation of all outstanding G.O. bond issues, long- and short-term lease payments, other long-term debt, and projections of certain related expenditures constitute the total Debt Service budget for FY19. 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 long-term 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.

The County issued Series 2017D Bonds to "crossover-refund" the outstanding Series 2009 Build America Bonds. Prior to the crossover date of November 1, 2019, funds will be held by a trustee to pay debt service on the refunding bonds.

FY18 Estimated Debt Service

FY18 estimated general obligation debt service, lease and other long-term debt expenditure requirements for tax-supported funds total \$386.5 million which is lower than the budget of \$394.3 million primarily due to deferrals in some lease financing, and actual interest rates that were lower than budget.

FY19 Recommended Debt Service Budget

The FY19 Debt Service budget is predicated on a base of existing debt service requirements from past bond issues (through November 2017) plus the following:

- A fall 2018 (FY19) issue of \$330.0 million at an interest cost of 5.5 percent for 20 years with even principal payments (fall bond issues are expected to continue through FY24).

- Interest expense based on an anticipated average BANs/commercial paper balance of \$375.0 million during FY19.

- 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 FY19 Debt Service requirement for tax supported funds of \$429.1 million, which is a 5.1 percent increase from the FY18 budget of \$408.2 million. The General Fund appropriation requirement is \$331.7 million, or 3.7 percent more than the budgeted FY18 amount of \$320.0 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 FY19-FY24. An estimated interest cost of 5.5 percent is budgeted for the fall 2018 (FY19) issue. Projected interest rates for bond issues for FY19 through FY24 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 \$413.4 million in FY19 to \$466.0 million by FY24 with the General Fund revenue requirement growing from \$331.7 million in FY19 to \$399.2 million by FY24.

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 CIP. 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. 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 FY19-24CIP. 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 FY19-24 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY19-24 CIP is included at the end of this section.

Debt Limit

The County's outstanding general obligation debt totals \$2,879,265,000 as of June 30, 2017. 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, 2017, is \$11,257,427,051 based upon the assessed valuation \$177,495,353,017 for all real property and \$4,051,372,468 for personal property. The County's outstanding general obligation debt of \$2,879,265,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.86 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 2017 (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 at the following link: <http://www.montgomerycountymd.gov/Finance/financial.html>

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 Montgomery Housing Initiative (MHI) Fund. Transfers from the MHI Fund support the repayment shown in the Debt Service Fund.

The FY19 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, (MHI - Property Acquisition Fund) 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. The County has

entered into lease-purchase agreements to finance energy systems modernization at various County buildings for which the debt service is covered by energy savings. Three of the leases qualified for Qualified Energy Conversation Bonds which provided 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. 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 Ratings Inc. (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.

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 FY17	Budget FY18	Estimate FY18	Recommended FY19	%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	348,488,660	369,855,550	366,115,975	389,165,690	5.2 %
Debt Service Other	25,622,652	24,424,110	20,386,340	24,258,310	-0.7 %
Debt Service Expenditures	374,111,312	394,279,660	386,502,315	413,424,000	4.9 %
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					

BUDGET SUMMARY

	Actual FY17	Budget FY18	Estimate FY18	Recommended FY19	%Chg Bud/Rec
Federal Grants	5,624,450	5,598,670	5,660,650	5,359,380	-4.3 %
Investment Income	76,713	0	0	0	—
Miscellaneous Revenues	51,940	1,033,870	3,495,581	5,637,100	445.2 %
Other Intergovernmental	65,494	0	0	0	—
Premium on General Obligation Bonds	11,421,071	16,230,640	17,648,910	20,724,940	27.7 %
Debt Service Revenues	17,239,668	22,863,180	26,805,141	31,721,420	38.7 %

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	13,347,406	13,954,010	13,354,010	15,650,110	12.2 %
Debt Service - Non-Tax Supported Expenditures	13,347,406	13,954,010	13,354,010	15,650,110	12.2 %

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	387,458,718	408,233,670	399,856,325	429,074,110	5.1 %
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	17,239,668	22,863,180	26,805,141	31,721,420	38.7 %

DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT							
	Actual FY16	Actual FY17	Budget FY18	Estimated FY18	Recommended FY19	% Chg Rec/App	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	51,082,509	58,302,269	63,521,610	61,607,217	70,037,020		18.5%
Roads & Storm Drains	61,896,517	70,310,726	74,945,800	74,552,794	77,869,410		20.6%
Public Housing	64,050	62,475	60,720	60,055	58,330		0.0%
Parks	8,068,892	8,227,409	9,113,810	8,987,495	9,417,240		2.5%
Public Schools	133,869,814	148,735,322	150,388,180	150,432,841	154,958,720		41.0%
Montgomery College	21,814,230	23,487,154	24,785,350	24,619,773	26,017,730		6.9%
Bond Anticipation Notes/Commercial Paper	549,173	2,148,047	5,900,000	5,200,000	7,650,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,096,849	2,103,596	2,500,000	2,200,000	2,800,000		
Cost of Issuance	775,424	711,478	1,023,000	1,220,000	1,047,100		
Total General Fund	280,217,458	314,088,476	332,238,470	328,880,175	349,855,550	5.3%	89.6%
Fire Tax District Fund	7,016,060	7,283,040	7,678,780	7,527,167	7,873,730		2.1%
Mass Transit Fund	17,199,301	18,924,844	20,461,280	20,384,947	21,894,010		5.8%
Recreation Fund	7,270,852	8,192,300	9,477,020	9,323,686	9,542,400		2.5%
Total Tax Supported Other Funds	31,486,213	34,400,184	37,617,080	37,235,800	39,310,140	4.5%	10.4%
TOTAL TAX SUPPORTED	311,703,671	348,488,660	369,855,550	366,115,975	389,165,690	5.2%	100.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	311,703,671	348,488,660	369,855,550	366,115,975	389,165,690	5.2%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	985,034	988,534	986,640	986,640	989,440		
Revenue Authority - HHS Piccard Drive	394,376	395,743	-	-	-		
Revenue Authority - Recreation Pools	1,525,040	1,524,496	1,526,360	1,526,360	1,525,700		
Fire and Rescue Equipment	4,038,961	3,715,800	4,067,900	3,717,900	500,000		
TOTAL LONG-TERM LEASE EXPENDITURES	6,943,411	6,624,572	6,580,900	6,230,900	3,015,140	-54.2%	
SHORT-TERM LEASE EXPENDITURES / FINANCING							
Technology Modernization Project	5,659,960	5,667,891	5,676,100	5,676,100	4,661,600		
Libraries System Modernization	-	48,478	127,500	97,000	97,000		
Corrections Security System	-	-	70,700	-	220,000		
Ride On Buses	7,651,422	8,364,053	5,982,600	5,278,600	6,718,600		
Public Safety System Modernization	5,327,263	3,157,691	2,487,200	988,200	4,228,200		
Fire Breathing Apparatus	-	-	1,421,900	-	1,484,000		
Fuel Management System	-	631,522	791,600	631,600	912,600		
TOTAL SHORT-TERM LEASE EXPENDITURES	18,638,645	17,869,634	16,557,600	12,671,500	18,322,000	10.7%	
OTHER LONG-TERM DEBT							
Silver Spring Music Venue - Tax supported	295,105	290,455	290,800	290,800	291,000		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	1,238,900		
Energy Performance Leases QECBs - Tax supported	324,428	325,332	445,700	532,700	728,080		
Energy Performance Leases Other - Tax supported	-	112,659	149,110	260,440	663,190		
MHI-HUD Loan - Non-Tax supported	63,480	61,274	59,020	59,020	56,750		
Water Quality Protection Charge Bonds - Non-Tax supported	3,020,250	6,148,160	6,146,000	6,146,000	6,148,600		
MHI - Property Acquisition Fund - Non-Tax supported	7,196,022	7,199,246	7,808,010	7,208,010	9,501,510		
TOTAL OTHER LONG-TERM DEBT	11,299,285	14,537,125	15,298,640	14,896,970	18,628,030	21.8%	
DEBT SERVICE EXPENDITURES							
Tax Supported	338,305,260	374,111,312	394,279,660	386,502,315	413,424,000	4.9%	
Non-Tax Supported - Other Long-term Debt	10,279,752	13,408,680	14,013,030	13,413,030	15,706,860		
TOTAL DEBT SERVICE EXPENDITURES	348,585,012	387,519,992	408,292,690	399,915,345	429,130,860	5.1%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	260,384,661	297,850,103	310,657,830	303,466,644	318,864,140		
BABs Crossover Funds with Escrow Agent	-	-	-	2,388,141	5,179,100		
Other Interest: Installment Notes, Interest & Penalties	34,020	76,713	-	-	-		
Federal Subsidy on General Obligation Bonds	5,751,483	5,624,450	5,350,000	5,376,480	5,087,370		
Premium on General Obligation Bonds	14,998,462	11,421,071	16,230,640	17,648,910	20,724,940		
Total General Fund Sources	281,168,626	314,972,337	332,238,470	328,880,175	349,855,550		
Fire Tax District Funds	6,816,418	7,124,641	7,678,780	7,527,167	7,873,730		
Mass Transit Fund	16,734,177	18,517,146	20,461,280	20,384,947	21,894,010		
Recreation Fund	7,001,965	7,828,616	9,477,020	9,323,686	9,542,400		
Total Other Funding Sources	30,552,560	33,470,404	37,617,080	37,235,800	39,310,140		
TOTAL GO BOND FUNDING SOURCES	311,721,186	348,442,741	369,855,550	366,115,975	389,165,690		
NON GO BOND FUNDING SOURCES							
General Funds	13,238,987	11,315,267	9,351,210	7,840,270	12,387,400		
MHI Fund - HUD Loan	63,480	61,274	59,020	59,020	56,750		
Water Quality Protection Fund	3,020,250	6,148,160	6,146,000	6,146,000	6,148,600		
MHI - Property Acquisition Fund	7,196,022	7,199,246	7,808,010	7,208,010	9,501,510		
Mass Transit Fund	5,475,257	8,364,053	5,982,600	5,278,600	6,718,600		
Recreation Fund	1,525,040	1,524,496	1,526,360	1,526,360	1,525,700		
Fire Tax District Fund	4,038,961	4,347,322	6,281,400	4,349,500	2,896,600		
Federal Subsidy - QECBs	129,664	65,494	248,670	284,170	272,010		
Capitalized Interest - Energy Performance Leases	-	51,940	47,230	120,800	8,000		
Land Sale Proceeds	-	-	986,640	986,640	-		
State Grant for Ride On Buses	2,176,165	-	-	-	-		
Developer Payments - Site II	-	-	-	-	450,000		
TOTAL NON GO BOND FUNDING SOURCES	36,863,826	39,077,251	38,437,140	33,799,370	39,965,170		
TOTAL FUNDING SOURCES	348,585,012	387,519,992	408,292,690	399,915,345	429,130,860		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	500,000,000	340,000,000	340,000,000	340,000,000	330,000,000		
Council SAG Approved Bond Funded Expenditures	299,500,000	340,000,000	340,000,000	340,000,000	330,000,000		

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

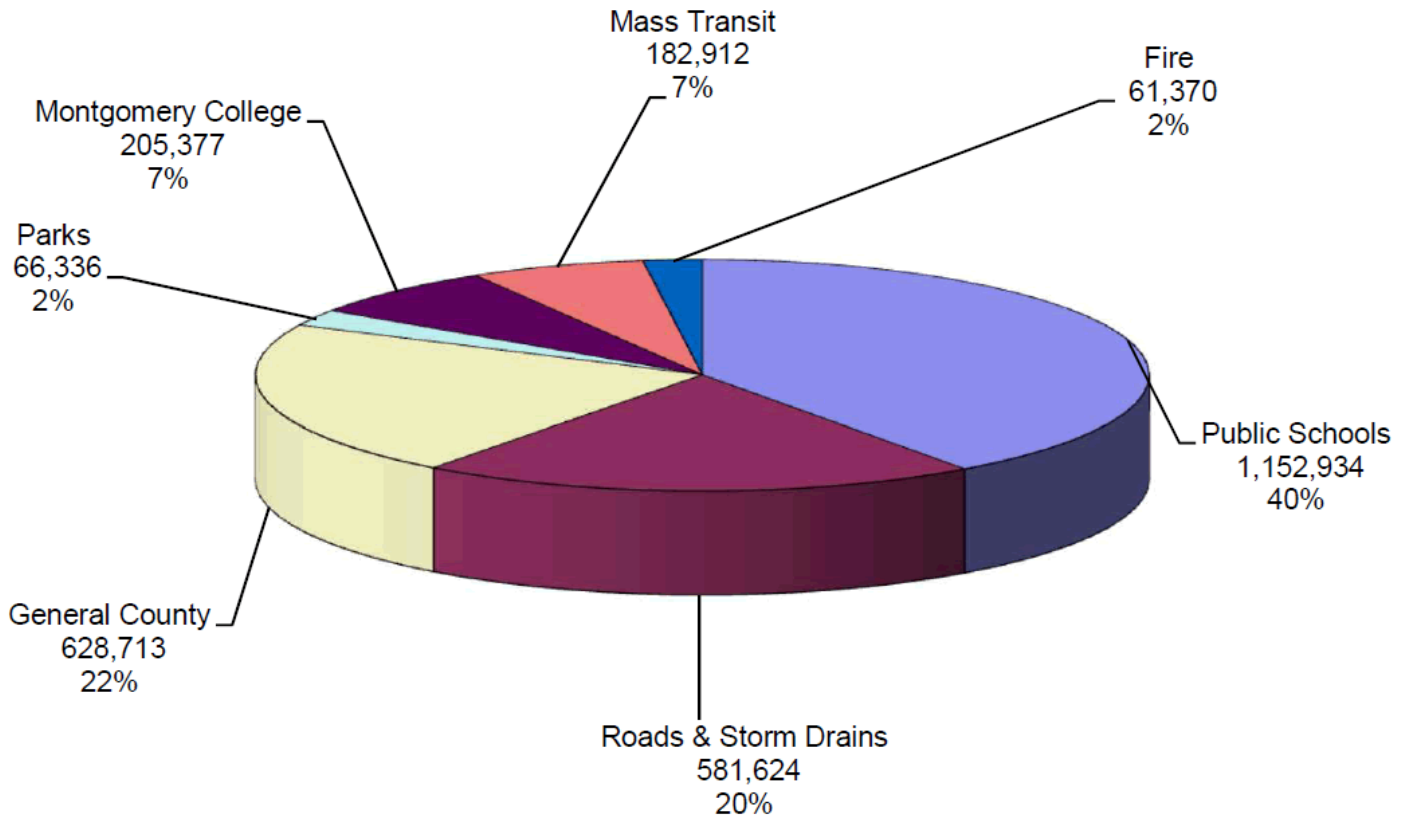
	Recommended FY19	Projected FY20	Projected FY21	Projected FY22	Projected FY23	Projected FY24
GO BOND DEBT SERVICE EXPENDITURES						
General County	70,037,020	76,185,430	78,166,400	77,710,270	78,618,760	84,995,210
Roads & Storm Drains	77,869,410	79,675,630	81,425,870	86,723,270	91,077,750	95,998,790
Public Housing	58,330	58,330	57,290	58,320	56,330	51,180
Parks	9,417,240	9,967,040	10,099,090	11,009,170	11,803,920	13,179,600
Public Schools	154,958,720	157,087,860	157,484,420	158,751,770	161,781,540	158,199,690
Montgomery College	26,017,730	26,430,610	26,356,380	26,865,670	28,786,100	30,256,610
Bond Anticipation Notes/Commercial Paper	7,650,000	8,600,000	9,150,000	9,450,000	9,712,500	9,937,500
Bond Anticipation Notes/Liquidity & Remarketing	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
Cost of Issuance	1,047,100	1,072,000	1,097,220	1,123,000	1,149,500	1,176,500
Total General Fund	349,855,550	361,876,900	366,636,670	374,491,470	385,786,400	396,595,080
Fire Tax District Fund	7,873,730	8,183,080	9,092,600	10,870,510	11,853,510	12,471,170
Mass Transit Fund	21,894,010	24,342,100	24,529,760	27,228,610	29,006,820	26,706,280
Recreation Fund	9,542,400	10,775,070	11,892,450	12,526,260	11,733,190	11,593,520
Total Tax Supported Other Funds	39,310,140	43,300,250	45,514,810	50,625,380	52,593,520	50,770,970
TOTAL TAX SUPPORTED	389,165,690	405,177,150	412,151,480	425,116,850	438,379,920	447,366,050
TOTAL GO BOND DEBT SERVICE EXPENDITURES	389,165,690	405,177,150	412,151,480	425,116,850	438,379,920	447,366,050
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	989,440	991,850	987,710	991,000	991,600	-
Revenue Authority - Recreation Pools	1,525,700	-	-	-	-	-
Fire and Rescue Equipment	500,000	2,800,000	3,500,000	4,420,000	4,802,000	5,175,000
Fleet Equipment	-	380,000	380,000	380,000	380,000	380,000
TOTAL LONG-TERM LEASE EXPENDITURES	3,015,140	4,171,850	4,867,710	5,791,000	6,173,600	5,555,000
SHORT-TERM LEASE EXPENDITURES / FINANCING						
Technology Modernization Project	4,661,600	3,647,100	3,647,100	3,647,100	3,647,100	1,823,500
Libraries System Modernization	97,000	97,000	97,000	48,500	-	-
Corrections Security System	220,000	220,000	220,000	220,000	220,000	-
Ride On Buses	6,718,600	6,718,600	7,838,600	6,132,400	5,106,600	4,393,300
Intelligent Transit System	-	960,000	1,920,000	1,920,000	1,920,000	1,920,000
Public Safety System Modernization	4,228,200	4,768,200	3,814,400	3,797,200	3,780,000	540,000
Fire Breathing Apparatus	1,484,000	1,484,000	1,484,000	1,484,000	1,484,000	1,484,000
Fuel Management System	912,600	912,600	596,800	281,000	160,000	-
TOTAL SHORT-TERM LEASE EXPENDITURES	18,322,000	18,807,500	19,617,900	17,530,200	16,317,700	10,160,800
OTHER LONG-TERM DEBT						
Silver Spring Music Venue - Tax supported	291,000	291,000	294,100	292,000	294,100	291,000
Site II Acquisition - Tax supported	1,238,900	1,238,900	1,238,900	1,238,900	1,238,900	1,238,900
Energy Performance Leases QECBs - Tax supported	728,000	659,970	660,270	660,540	660,820	701,140
Energy Performance Leases Other - Tax supported	663,190	621,300	640,300	659,950	695,210	729,570
MHI-HUD Loan - Non-Tax supported	56,750	54,400	52,050	49,650	47,230	54,510
Water Quality Protection Charge Bonds - Non-Tax supported	6,148,600	6,399,400	7,600,050	8,477,100	9,216,900	9,921,750
MHI - Property Acquisition Fund - Non-Tax supported	9,501,510	9,505,600	11,100,460	11,096,660	11,098,100	11,104,030
TOTAL OTHER LONG-TERM DEBT	18,628,030	18,770,570	21,586,130	22,474,800	23,251,260	24,040,900
DEBT SERVICE EXPENDITURES						
Tax Supported	413,424,000	430,967,670	439,470,660	451,289,440	463,760,250	466,042,460
Non-Tax Supported - Other Long-term Debt	15,706,860	15,959,400	18,752,560	19,623,410	20,362,230	21,080,290
TOTAL DEBT SERVICE EXPENDITURES	429,130,860	446,927,070	458,223,220	470,912,850	484,122,480	487,122,750
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	318,864,140	351,490,610	364,409,970	372,264,770	383,559,700	394,499,120
BABs Crossover Funds with Escrow Agent	5,179,100	2,589,550	-	-	-	-
Federal Subsidy on General Obligation Bonds	5,087,370	3,602,570	2,226,700	2,226,700	2,226,700	2,095,960
Premium on General Obligation Bonds	20,724,940	4,194,170	-	-	-	-
Total General Fund Sources	349,855,550	361,876,900	366,636,670	374,491,470	385,786,400	396,595,080
Fire Tax District Fund	7,873,730	8,183,080	9,092,600	10,870,510	11,853,510	12,471,170
Mass Transit Fund	21,894,010	24,342,100	24,529,760	27,228,610	29,006,820	26,706,280
Recreation Fund	9,542,400	10,775,070	11,892,450	12,526,260	11,733,190	11,593,520
Fleet Fund	-	380,000	380,000	380,000	380,000	380,000.00
Total Other Funding Sources	39,310,140	43,680,250	45,894,810	51,005,380	52,973,520	51,150,970
TOTAL GO BOND FUNDING SOURCES	389,165,690	405,557,150	412,531,480	425,496,850	438,759,920	447,746,050
NON GO BOND FUNDING SOURCES						
General Funds	12,387,400	11,823,130	10,896,850	10,861,840	10,844,470	4,651,790
MHI Fund - HUD Loan	56,750	54,400	52,050	49,650	47,230	54,510
Water Quality Protection Fund	6,148,600	6,399,400	7,600,050	8,477,100	9,216,900	9,921,750
MHI - Property Acquisition Fund	9,501,510	9,505,600	11,100,460	11,096,660	11,098,100	11,104,030
Mass Transit Fund	6,718,600	7,678,600	9,758,600	8,052,400	7,026,600	6,313,300
Recreation Fund	1,525,700	-	-	-	-	-
Fire Tax District Fund	2,896,600	5,196,600	5,580,800	6,185,000	6,446,000	6,659,000
Federal Subsidy - QECBs	272,010	262,190	252,930	243,350	233,260	222,320
Capitalized Interest - Energy Performance Leases	8,000	-	-	-	-	-
Developer Payments - Site II	450,000	450,000	450,000	450,000	450,000	450,000
TOTAL NON GO BOND FUNDING SOURCES	39,965,170	41,369,920	45,691,740	45,416,000	45,362,560	39,376,700
TOTAL FUNDING SOURCES	429,130,860	446,927,070	458,223,220	470,912,850	484,122,480	487,122,750
TOTAL GENERAL OBLIGATION BOND SALES						
Estimated Bond Sales	330,000,000	320,000,000	310,000,000	300,000,000	300,000,000	300,000,000
Council SAG Approved Bond Funded Expenditures	330,000,000	320,000,000	310,000,000	300,000,000	300,000,000	300,000,000
ESTIMATED INTEREST RATE	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

**Projected Debt Obligations
Schedule of Principal & Interest
FY19 Recommended Budget**

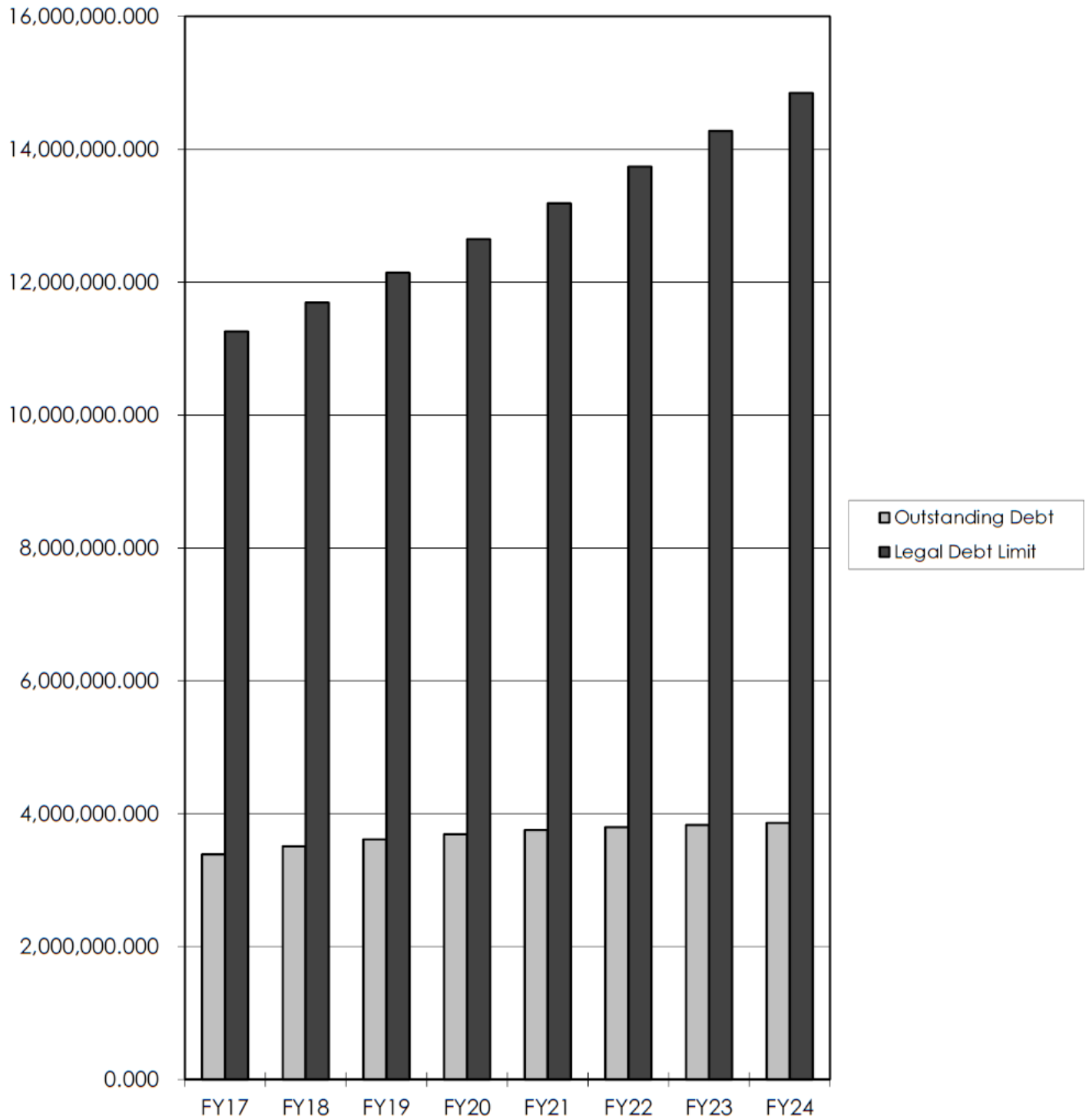
FUND	Principal	Interest	Total
Debt Service Fund	265,217,786	163,856,324	429,074,110
Liquor Control (Section 65)	6,694,300	4,681,100	11,375,400
Montgomery Housing Initiative	43,000	13,750	56,750
Bethesda Parking Lot District (Section 46)	3,441,000	1,212,200	4,653,200
Total	275,396,086	169,763,374	445,159,460

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

Total \$2,879,265 as of June 30, 2017



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



DEBT CAPACITY ANALYSIS

FY19-24 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

March 15, 2018

GO BOND 6 YR TOTAL = 1,860.0 MILLION

GO BOND FY19 TOTAL = 330.0.0 MILLION

GO BOND FY20 TOTAL = 320.0 MILLION

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1 GO Bond Guidelines (\$000)	340,000	330,000	320,000	310,000	300,000	300,000	300,000
2 GO Debt/Assessed Value	1.85%	1.84%	1.80%	1.76%	1.70%	1.65%	1.60%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	11.30%	11.65%	11.81%	11.77%	11.78%	11.74%	11.43%
4 \$ Debt/Capita	3,305	3,396	3,450	3,485	3,503	3,513	3,518
5 \$ Real Debt/Capita (FY18=100%)	3,305	3,331	3,316	3,277	3,220	3,154	3,084
6 Capita Debt/Capita Income	3.85%	3.81%	3.74%	3.66%	3.56%	3.45%	3.35%
7 Payout Ratio	68.70%	69.58%	70.50%	71.38%	72.21%	72.93%	73.60%
8 Total Debt Outstanding (\$000s)	3,511,335	3,612,105	3,692,310	3,753,170	3,795,580	3,830,460	3,859,765
9 Real Debt Outstanding (FY18=100%)	3,511,335	3,543,016	3,548,239	3,529,084	3,326,779	3,357,351	3,383,037
10 Note: OP/PSP Growth Assumption (2)	0.0%	1.9%	3.1%	2.4%	2.4%	2.8%	3.0%

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 FY18 approved budget to FY19 budget for FY19 and budget to budget for FY20-24.

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY19-24 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 16, 2018

(\$ millions)	6 YEARS	FY19	FY20	FY21	FY22	FY23	FY24
BONDS PLANNED FOR ISSUE	1,860.000	330.000	320.000	310.000	300.000	300.000	300.000
Plus PAYGO Funded	186.000	33.000	32.000	31.000	30.000	30.000	30.000
Adjust for Implementation **	-	-	-	-	-	-	-
Adjust for Future Inflation **	(74.609)	-	-	(7.911)	(15.057)	(22.288)	(29.353)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,971.391	363.000	352.000	333.089	314.943	307.712	300.647
Less Set Aside: Future Projects	178.698	10.526	25.944	20.230	27.092	42.077	52.829
	9.06%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,792.693	352.474	326.056	312.859	287.851	265.635	247.818
MCPS	(633.329)	(127.681)	(119.408)	(106.759)	(92.560)	(101.916)	(85.005)
MONTGOMERY COLLEGE	(119.297)	(17.149)	(14.641)	(21.889)	(30.829)	(10.133)	(24.656)
M-NCPPC PARKS	(74.152)	(12.548)	(11.320)	(11.272)	(12.432)	(13.415)	(13.165)
TRANSPORTATION	(582.991)	(108.576)	(103.925)	(96.291)	(95.835)	(89.513)	(88.851)
MCG - OTHER	(446.518)	(126.019)	(100.857)	(76.648)	(56.195)	(50.658)	(36.141)
Programming Adjustment - Unspent Prior Years*	63.594	39.499	24.095	-	-	-	-
	-						
SUBTOTAL PROGRAMMED EXPENDITURES	(1,792.693)	(352.474)	(326.056)	(312.859)	(287.851)	(265.635)	(247.818)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart County Executive's FY19-24 Recommended CIP publication, Inflation =		1.74%	2.35%	2.38%	2.35%	2.35%	2.35%

NOTE: The set-aside has been intentionally increased to provide capacity for the South County Recreation and Aquatic Center project.

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