In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the County on the date of delivery of the Series 2005 Bonds, and subject to the conditions stated herein under "Tax Exemptions," under existing law, (a) the interest on the Series 2005 Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the Series 2005 Bonds is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. As described herein under "Tax Exemptions," other Federal income tax consequences may arise from ownership of the Series 2005 Bonds. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Series 2005 Bonds and profit realized from the sale or exchange of the Series 2005 Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Series 2005 Bonds or the interest thereon.

OFFICIAL STATEMENT DATED AUGUST 10, 2005

NEW ISSUE
Full Book-Entry
(See "THE SERIES 2005 BONDS - Book Entry Only System")

RATINGS: Fitch .... AA-
Moody's Aa3
(See "RATINGS")

MONTGOMERY COUNTY, MARYLAND
$16,495,000
Parking System Revenue Bonds
(Bethesda Parking Lot District)
Series 2005

Dated: Date of Delivery **Due: August 1, as shown inside**

Interest payable semiannually on each February 1 and August 1, commencing February 1, 2006, at the rates set forth inside.

The Series 2005 Bonds are being issued by Montgomery County, Maryland (the "County") to finance the costs of renovating parking facilities in the Bethesda Parking Lot District in Montgomery County, to fund a debt service reserve account for the Series 2005 Bonds, and to pay costs of issuance.

The Series 2005 Bonds maturing on or after August 1, 2016, are subject to redemption prior to maturity at the option of the County beginning on August 1, 2015.

The Series 2005 Bonds and the interest thereon are special obligations of the County payable solely from the revenues of the Bethesda Parking Lot District, on a parity with certain other outstanding parking revenue bonds of the County.

The Series 2005 Bonds are not general obligations of the County and do not constitute a pledge of the full faith and credit or the taxing power of the County.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

The Series 2005 Bonds are offered, when, as and if issued by the County, subject to the approval of their validity by Venable LLP, Baltimore, Maryland, Bond Counsel, as described herein, and to certain other conditions. The Series 2005 Bonds will be available for delivery in New York, New York, through the facilities of the Depository Trust Company on or about August 31, 2005.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

$16,495,000
Parking System Revenue Bonds
(Bethesda Parking Lot District)
Series 2005

Maturity August 1,	Amount	Interest Rate*	Price or Yield*	CUSIP
2007	$ 580,000	5.000%	3.000%	613361 GB4
2008	610,000	5.000	3.050	613361 GC2
2009	640,000	4.000	3.200	613361 GD0
2010	665,000	4.000	3.300	613361 GE8
2011	690,000	4.000	3.400	613361 GF5
2012	725,000	5.000	3.500	613361 GG3
2013	755,000	4.000	3.600	613361 GH1
2014	785,000	4.000	3.700	613361 GJ7
2015	815,000	3.625	3.770	613361 GK4
2016	850,000	3.750	3.870	613361 GL2
2017	880,000	4.000	3.920**	613361 GM0
2018	920,000	4.000	3.970**	613361 GN8
2019	955,000	4.000	4.020	613361 GP3
2020	995,000	4.000	4.070	613361 GQ1
2021	1,035,000	4.000	4.120	613361 GR9
2022	1,080,000	4.100	4.170	613361 GS7
2023	1,125,000	4.125	4.210	613361 GT5
2024	1,170,000	4.125	4.250	613361 GU2
2025	1,220,000	4.200	4.270	613361 GV0

---

* The rates shown above are the interest rates payable by the County resulting from the successful bid for the Series 2005 Bonds by a group of banks and investment banking firms at public sale on August 10, 2005. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Series 2005 Bonds should be obtained from the successful bidders and not from the County.

** Priced to call on August 1, 2015 at par.

OFFICIAL STATEMENT DATED AUGUST 10, 2005

MONTGOMERY COUNTY, MARYLAND
$16,495,000
Parking System Revenue Bonds
(Bethesda Parking Lot District)
Series 2005

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations concerning the County or its bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the bonds described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Bonds are exempt from registration under the Securities Act of 1933. As obligations of a political subdivision of the State of Maryland, the Bonds also are exempt from registration under the securities laws of the State of Maryland.

The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds.

TABLE OF CONTENTS

MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS

COUNTY EXECUTIVE

Douglas M. Duncan

COUNTY COUNCIL

Thomas Perez	*President*
George Leventhal	*Vice President*
Phil Andrews	
Howard A. Denis	
Nancy Floreen	
Michael Knapp	
Marilyn J. Praisner	
Steven Silverman	
Michael L. Subin	

The terms of the County Executive and all County Council members expire in December 2006.

APPOINTED OFFICIALS

Bruce Romer	*Chief Administrative Officer*
Timothy L. Firestine	*Director, Department of Finance*
Beverley Swaim-Staley	*Director, Office of Management and Budget*
Charles W. Thompson, Jr.	*County Attorney*
Linda M. Lauer	*Clerk of the Council*

BOND COUNSEL

Venable LLP
Baltimore, Maryland

FINANCIAL ADVISOR

Public Financial Management
Philadelphia, Pennsylvania

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG, LLP
Washington, D.C.

DEBT MANAGEMENT AND DISCLOSURE INFORMATION

Montgomery County Department of Finance
101 Monroe Street
Rockville, MD 20850
240-777-8860
240-777-8857 (Fax)
http://bonds.montgomerycountymd.gov

(This page has been left blank intentionally.)

OFFICIAL STATEMENT

MONTGOMERY COUNTY, MARYLAND
$16,495,000
Parking System Revenue Bonds
(Bethesda Parking Lot District)
Series 2005

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside front cover, Table of Contents and Appendices A, B, C, D and E, is to provide certain information concerning the sale and delivery by Montgomery County, Maryland (the "County") of $16,495,000 of its Parking System Revenue Bonds (Bethesda Parking Lot District), Series 2005 (the "Series 2005 Bonds"). Capitalized terms not otherwise defined in the Official Statement shall have the respective meanings assigned to them in "APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF LEGAL DOCUMENTS" hereto.

The proceeds of the Series 2005 Bonds will be used (i) to finance a portion of the costs of renovating public parking facilities (collectively, the "Project") in the County's Bethesda Parking Lot District; (ii) to fund a debt service reserve account for the Series 2005 Bonds and (iii) to pay the costs of issuing the Series 2005 Bonds. See "THE PROJECT" herein.

The Series 2005 Bonds are special obligations of the County, the principal of, interest on and redemption premium (if any) on which will be payable solely from the revenues of the Bethesda Parking Lot District (the "Bethesda Parking Lot District"), on a parity basis with the Bethesda Parking Lot District's other outstanding bonds (the "Outstanding Bethesda Parity Bonds") and any additional bonds that may be issued from time to time under the Order (defined below). The Series 2005 Bonds, the Outstanding Bethesda Parity Bonds and the Additional Bonds are sometimes referred to collectively herein as the "Bethesda Bonds." See "SECURITY AND SOURCES OF PAYMENT" and "THE BETHESDA PARKING LOT DISTRICT" herein.

The Series 2005 Bonds are not general obligations of the County and do not constitute a pledge of the full faith and credit or the taxing powers of the County. The Series 2005 Bonds are payable solely from the revenues of the Bethesda Parking Lot District.

AUTHORITY FOR THE ISSUANCE OF THE SERIES 2005 BONDS

The Series 2005 Bonds are authorized to be issued pursuant to the Constitution and the laws of the State of Maryland, including Sections 5(P)(2) and 5(P)(3) of Article 25A of the Annotated Code of Maryland (2001 Replacement Volume and 2004 Cumulative Supplement) and Sections 20-47 through 20-54 of Chapter 20 of the Montgomery County Code (1994 Edition, as amended) (collectively, the "Authorizing Legislation"), Resolution No. 15-931 adopted by the County Council of the County on March 22, 2005 (the "Resolution"), and Order No. B-160-92 of the County Executive of the County passed on February 28, 1992, as supplemented by an order passed on August 10, 2005 (as supplemented, the "Order").

THE SERIES 2005 BONDS

General

The Series 2005 Bonds will be dated the date of their delivery and will mature and bear interest on the dates and at the rates set forth on the inside front cover page hereof. Interest on the Series 2005 Bonds will be payable semiannually on February 1 and August 1 of each year (each a "Payment Date"), commencing February 1, 2006.

The Series 2005 Bonds shall be delivered in the form of fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof. So long as the Series 2005 Bonds shall be maintained under a book-entry system, payments of the principal of, premium (if any) and interest on the Series 2005 Bonds will be made as described below under the heading "Book-Entry Only System." During such time, the County will serve as Registrar and Paying Agent for the Series 2005 Bonds. If at any time the Series 2005 Bonds are not maintained under a book-entry system, the County will appoint a financial institution or trust company as Registrar and Paying Agent, and payments of interest due with respect to any Series 2005 Bond on any Payment Date shall be made to the person who appears on the registration books as the Owner thereof as of the Record Date immediately preceding such Payment Date, such interest to be paid in lawful money of the United States of America by check or draft of the Registrar and Paying Agent mailed to such Owner at such Owner's address as it appears on the registration books or at such other address as may have been filed with the Registrar and Paying Agent for that purpose. The principal and redemption premium, if any, payable with respect to any Series 2005 Bond shall be payable in lawful money of the United States of America by check or draft of the Registrar and Paying Agent upon surrender thereof at the principal office of the Registrar and Paying Agent.

Estimated Sources and Uses of Funds

The proceeds of the Series 2005 Bonds will be used (i) to finance a portion of the costs of the Project, (ii) to fund a debt service reserve account for the Series 2005 Bonds and (iii) to pay costs of issuance of the Series 2005 Bonds.

Sources of Funds

Principal Amount of Series 2005 Bonds	$16,495,000
Net Premium	39,889
Total Sources of Funds	$16,534,889

Uses of Funds

Deposit to Project Fund	$15,136,000
Deposit to Debt Service Reserve Account	1,248,049
Costs of Issuance (1)	150,840
Total Uses of Funds	$16,534,889

(1) Includes legal, rating agency, printing, and miscellaneous expenses.

Registration and Exchange of Series 2005 Bonds

So long as the Series 2005 Bonds are maintained under a book-entry system, Beneficial Owners (hereinafter defined) thereof will have no right to receive physical possession of the Series 2005 Bonds, and transfers of ownership interests in the Series 2005 Bonds will be made through book-entries by DTC and Direct Participants (as hereinafter defined). See "Book-Entry Only System" below.

The County will perform the paying agency and registrar services described in this Official Statement; provided that if the book-entry only system is discontinued, the County will appoint a financial institution to perform such services on its behalf (the County and any paying agent/registrar subsequently appointed are hereinafter collectively referred to as the "Registrar and Paying Agent").

If the book-entry system is discontinued, Series 2005 Bonds may be exchanged at the principal corporate trust office of the Registrar and Paying Agent, for a like aggregate principal amount of Series 2005 Bonds of other authorized denominations of the same maturity. No exchange may be made during the 15 days preceding any date set by the Registrar and Paying Agent for the selection of Series 2005 Bonds for redemption prior to maturity. The Registrar and Paying Agent may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The registration of any Bond may, in accordance with its terms to be transferred upon the registration books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate trust office of the Registrar and Paying Agent, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Registrar and Paying Agent. No transfer may be made during the 15 days preceding any date set by the Registrar and Paying Agent for the selection of Series 2005 Bonds for redemption prior to maturity. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Registrar and Paying Agent shall execute, authenticate and deliver a new Bond or Bonds for a like aggregate principal amount.

If any Bond shall become mutilated, the Registrar and Paying Agent, upon the request and at the expense of the Owner of said Bond, shall execute and deliver a new Bond of like tenor, maturity and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Registrar and Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Registrar and Paying Agent shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Registrar and Paying Agent, and, if such evidence is satisfactory to the Registrar and Paying Agent and if an indemnity satisfactory to the Registrar and Paying Agent shall be given, the Registrar and Paying Agent, at the expense of the Bond Owner, shall execute and deliver a new Bond of like tenor and maturity and numbered as the Registrar and Paying Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Registrar and Paying Agent may require payment of an appropriate fee for each new Bond delivered and of the expenses which may be incurred by the Registrar and Paying Agent in carrying out its duties as described in this paragraph. Notwithstanding any other provision of this paragraph, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Registrar and Paying Agent may make payment with respect to such Bond.

Book-Entry Only System

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by the Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Series 2005 Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodian relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2005 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2005 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC or Cede & Co. will consent or vote with respect to Series 2005 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2005 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Bond Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Bond Registrar and Paying Agent, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the County or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

NEITHER THE COUNTY, NOR THE REGISTRAR AND PAYING AGENT, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE Series 2005 BondS; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF Series 2005 BondS.

Redemption of Series 2005 Bonds

Optional Redemption. The Series 2005 Bonds which mature on or before August 1, 2015, are not subject to redemption prior to their respective maturities. The Series 2005 Bonds which mature on or after August 1, 2016, are subject to redemption beginning August 1, 2015, as a whole or in part at any time thereafter, in any order of their maturities, at the option of the County, at a redemption price for each bond equal to the principal amount of the bond to be redeemed, together with interest accrued to the date fixed for redemption, without premium.

Selection of Series 2005 Bonds for Redemption. The Registrar and Paying Agent shall select Series 2005 Bonds for redemption by lot or in any other manner which the Registrar and Paying Agent shall in its sole discretion deem appropriate and fair. For the purposes of such selection, Series 2005 Bonds shall be deemed to be composed of $5,000 portions and any such portion may be separately redeemed. Upon surrender of any Bond redeemed in part only, the Registrar and Paying Agent shall execute and deliver to the owner thereof, at the expense of the County, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and the same maturity.

Notice of Redemption. When redemption is authorized or required as described above, the Registrar and Paying Agent shall give notice of the redemption of the Series 2005 Bonds on behalf of the County. Such notice shall state the redemption date and redemption price and, if less than all of the then Outstanding Series 2005 Bonds are to be called for redemption, shall designate the numbers of the Series 2005 Bonds to be called for redemption and shall require that such Series 2005 Bonds be then surrendered, at the principal office of the Registrar and Paying Agent for redemption at such redemption price. In the case of any Bond called for redemption only in part as described under "Selection of Series 2005 Bonds for Redemption" above, the notice shall further set forth the portion of the principal amount thereof which is to be redeemed. In each case, such notice shall state that on the specified redemption date there shall become due and payable upon each such Bond, the principal and premium, if any, together with interest accrued to such date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The notice of redemption shall be mailed by first class mail to the respective Owners of those Series 2005 Bonds designated for redemption at their respective addresses appearing on the registration books of the Registrar and Paying Agent, at least 30 days but not more than 60 days prior to the redemption date; provided, however, that neither the failure of any Owner to receive such notice so mailed nor any immaterial defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series 2005 Bonds.

Effect of Notice of Redemption. If, on said date fixed for redemption, moneys for the redemption of all the Series 2005 Bonds to be redeemed, together with interest to said date of redemption and any applicable redemption premium, shall be held by the Registrar and Paying Agent so as to be available therefor on such date of redemption, and if notice of redemption thereof shall have been given as aforesaid, then, from and after said date of redemption, interest with respect to the Series 2005 Bonds designated for redemption shall cease to accrue or become payable. All moneys held by or on behalf of the Registrar and Paying Agent for the redemption of Series 2005 Bonds shall be held in trust for the account of the Owners of the Series 2005 Bonds so to be redeemed.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS

General

The Series 2005 Bonds will be payable from the revenues of the Bethesda Parking Lot District, on a parity basis with the Outstanding Bethesda Parity Bonds and any Additional Bonds that may be issued from time to time under the Order. The Series 2005 Bonds are obligations of the Bethesda Parking Lot District, issued pursuant to the Authorizing Legislation, the Resolution and the Order. The Series 2005 Bonds are issued on a parity basis with the Outstanding Bethesda Parity Bonds issued under the Resolution and the Order. See "THE BETHESDA PARKING LOT DISTRICT - Outstanding Bethesda Parity Bonds" herein.

Pledge of Net Revenues

So long as any Bethesda Bonds are outstanding and unpaid, the County has covenanted in the Resolution and the Order to levy special taxes and to assess parking meter and other fees, respectively, which are payable pursuant to the Montgomery County Code 1994, as amended (the "County Code"), within the Bethesda Parking Lot District in rate and amount which shall be sufficient in each Fiscal Year to maintain Net Revenues of not less than the sum of (1) 1.25 times the amount required for making lease payments on irrevocable or long-term leases relating to Facilities, and paying the maximum principal of and interest (except for capitalized interest) on all Bethesda Bonds (including the Series 2005 Bonds) issued for the financing or refinancing of Facilities within or operated by the Bethesda Parking Lot District in such Fiscal Year or any succeeding Fiscal Year, plus (2) 100% of the County's obligations to replenish the Debt Service Reserve Account in such Fiscal Year. Net Revenues of the Bethesda Parking Lot District are irrevocably pledged to the timely payment of the principal of, premium, if any, and interest on all Bonds of the County (including the Series 2005 Bonds) issued for the financing or refinancing of Facilities within or operated by the Bethesda Parking Lot District.

Revenues of the Bethesda Parking Lot District include Parking Fee Revenues, Parking Fine Revenues, Parking Tax Revenues, lease payments, if any, and certain interest income. The pledge of Revenues is subject to the payment of Current Expenses. The Revenues of the Bethesda Parking Lot District must be applied to pay the debt service on all Bonds of the County (including the Series 2005 Bonds) which are issued to finance Facilities within the Bethesda Parking Lot District.

The County Executive has the authority pursuant to Chapters 31 and 60 of the County Code to prescribe parking fees, from time to time and at any time, without limitation, for parking on or in Facilities in the Bethesda Parking Lot District. The County Executive also establishes fines for parking violations.

The Montgomery County Council has the authority pursuant to Chapter 60 of the County Code to levy a special tax relating to parking within the Bethesda Parking Lot District. The revenues from the special taxes, parking fees and fines collected from the Bethesda Parking Lot District must be used first to pay the principal of and interest on, when due, any outstanding on all Bonds of the County (including the Series 2005 Bonds), the proceeds of which are used to acquire, construct, maintain or operate Facilities in the Bethesda Parking Lot District.

The special tax is levied within the Bethesda Parking Lot District on certain property used for commercial, industrial and general business purposes, including land and improvements, and tangible personal property located on such land or within such improvements (collectively, "commercial/industrial property"). The special tax is also levied on certain property not so used, but zoned or otherwise classified for such use ("unimproved property"). Certain nontransient residences are not subject to the special tax. Railroad yards and rights-of-way, other than passenger stations, are exempt from the special tax. If an owner or lessee of property in the Bethesda Parking Lot District provides off-street parking facilities, such property may be exempt from the special tax or the applicable special tax may be reduced. The County Code specifies levy limits for improved commercial/industrial property of $0.40 per hundred dollars of assessed valuation for real property and $1.00 per hundred dollars of assessed valuation for personal property, and for unimproved property of $0.20 per hundred dollars of assessed valuation for real property and $0.50 per hundred dollars of assessed valuation for personal property. The County Council may raise the current levies up to the levy limit without amending the County Code. The County has the authority to amend Chapter 60 of the County Code, including the authority to broaden the special tax base and to raise the levy limit. Such amendment may be subject to a petition for referendum.

Rate Covenant

So long as the Series 2005 Bonds and any other Bonds issued to finance Facilities within the Bethesda Parking Lot District are outstanding and unpaid, the County has covenanted to prescribe and levy, as applicable, within the Bethesda Parking Lot District, the parking meter or other fees payable pursuant to Chapters 31 and 60 of the County Code and special taxes payable pursuant to Chapter 60 of the County Code in rate and amount which shall be sufficient in each Fiscal Year to maintain Net Revenues of not less than the sum of (1) 1.25 times the amount required for making lease payments on irrevocable or long-term leases relating to Facilities within or operated by the Bethesda Parking Lot District in such Fiscal Year, and paying the maximum principal of and interest (except for capitalized interest) on the Series 2005 Bonds and any other Bonds of the County issued to finance Facilities within the Bethesda Parking Lot District in such Fiscal Year or any succeeding Fiscal Year, plus (2) 100% of the County's obligations with respect to repayment of all Policy Costs due and owing in such Fiscal Year.

Table 1 below displays the debt service coverage calculation based on Fiscal Year 2004 Net Revenues.

[remainder of page intentionally left blank]

Table 1
Projected Debt Service Coverage

Fiscal Year Ending 6/30	FY04 Net Revenues (1)	Principal and Interest: Outstanding Parity Bonds	Principal and Interest: Series 2005	Principal and Interest: Total Debt	Coverage (2)
2004	11,511,885	-	-	-	-
2005	11,511,885	4,701,603	-	4,701,603	2.45 x
2006	11,511,885	4,712,103	285,288	4,997,391	2.30 x
2007	11,511,885	4,718,028	680,158	5,398,185	2.13 x
2008	11,511,885	3,638,778	1,245,658	4,884,435	2.36 x
2009	11,511,885	3,660,678	1,245,908	4,906,585	2.35 x
2010	11,511,885	2,021,478	1,247,858	3,269,335	3.52 x
2011	11,511,885	2,023,478	1,246,758	3,270,235	3.52 x
2012	11,511,885	2,028,478	1,244,658	3,273,135	3.52 x
2013	11,511,885	2,031,278	1,247,733	3,279,010	3.51 x
2014	11,511,885	2,040,518	1,244,508	3,285,025	3.50 x
2015	11,511,885	2,044,955	1,243,708	3,288,663	3.50 x
2016	11,511,885	2,049,768	1,243,236	3,293,003	3.50 x
2017	11,511,885	2,056,128	1,247,526	3,303,654	3.48 x
2018	11,511,885	2,062,553	1,243,989	3,306,541	3.48 x
2019	11,511,885	2,068,663	1,247,989	3,316,651	3.47 x
2020	11,511,885	2,074,063	1,245,489	3,319,551	3.47 x
2021	11,511,885	2,079,288	1,246,489	3,325,776	3.46 x
2022	11,511,885	-	1,245,889	1,245,889	9.24 x
2023	11,511,885	-	1,248,049	1,248,049	9.22 x
2024	11,511,885	-	1,247,706	1,247,706	9.23 x
2025	11,511,885	-	1,245,371	1,245,371	9.24 x
2026	11,511,885	-	1,245,620	1,245,620	9.24 x

Notes:
1) Audited FY2004 Net Revenues
2) Projected debt service coverage test based on audited FY2004 Net Revenues

Debt Service Reserve Account

The Order establishes a Debt Service Reserve Account (the "Reserve Account") for the Bethesda Parking Lot District. The Reserve Account is funded from the Bethesda Parking Lot District's surplus cash or bond proceeds, or by the deposit of a credit facility with a custodian, on the date of issuance of any Bethesda Bonds in an amount equal to the least of (1) 125 % of the average annual debt service on the Bethesda Bonds; (2) the maximum annual debt service of the Bethesda Bonds; or (3) 10% of the proceeds of the sale of the Bethesda Bonds.

Money in the Reserve Account may be used solely for the purpose of paying principal at maturity of, or interest on, the Bethesda Bonds, for the payment of which insufficient money shall be available in the Debt Service Account. Whenever it shall become necessary to so use money in the Reserve Account, the County must make monthly payments from Revenues of the Bethesda Parking Lot District into the Reserve Account until it shall have been restored to the required minimum amount.

Additional Bonds

Pursuant to the terms of the Resolution and the Order, the County may from time to time issue Additional Bonds of the Bethesda Parking Lot District, on a parity with the Series 2005 Bonds and the Outstanding Bethesda Parity Bonds. As a condition to the delivery of any such Additional Bonds, the County must procure a statement of an independent parking consultant, financial consultant, or a certified pubic accountant, not a regular employee of the County, expressing the opinion based upon necessary investigations that the Net Revenues for the preceding Fiscal Year for which an audit is available (with allowable adjustments as herein described) of the Bethesda Parking Lot District were equal to at least 1.25 times the maximum amount that will be required in any future Fiscal Year for making lease payments on irrevocable or long-term leases and paying the principal of and interest (except for capitalized interest) on the then-outstanding Bonds of the Bethesda Parking Lot District and such Additional Bonds. For the purpose of determining the Net Revenues of the Bethesda Parking Lot District for the preceding Fiscal Year as aforesaid, the amount of the gross revenues of such year may be adjusted so as to reflect (i) any changes in the amount of such revenues that would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the delivery of such Additional Bonds been in effect during all of such preceding Fiscal Year and (ii) fifty percent of the net change in available parking spaces in the Bethesda Parking Lot District resulting or to result from the expenditure of the proceeds of such Additional Bonds.

THE COUNTY

Montgomery County, Maryland (the "County"), the most populous political subdivision in Maryland, is a chartered county with separate legislative and executive branches of government. Located adjacent to Washington, D.C., the County has 497 square miles of land area.

For further information regarding the County, see "APPENDIX A - INFORMATION ABOUT THE COUNTY AS OF JANUARY 13, 2005."

The Series 2005 Bonds are not general obligations of the County and do not constitute a pledge of the full faith and credit or the taxing powers of the County. The Series 2005 Bonds are payable solely from the revenues of the Bethesda Parking Lot District.

Montgomery County Department of Public Works and Transportation

The Montgomery County Department of Public Works and Transportation (the "Department"), through its Division of Operations, is responsible for providing, operating and maintaining an economically self-sufficient system of public parking which promotes the economic growth and welfare of the County's Central Business Districts ("CBDs") in Bethesda, Silver Spring and Wheaton. The Department is also responsible for providing public parking in Montgomery Hills. Comprehensive planning is a vital component of overall transportation management in the CBDs and, in particular, is critical to supplying a sufficient number of parking spaces to accommodate that segment of the public demand that is not provided for by the private sector nor served by alternative travel modes.

The public parking system is designed to complement other modes of travel and support a balanced total transportation system serving the needs of the CBDs in accordance with County transportation and development policies and goals. Mixed-use garages and utilization of air rights development are two of the strategies employed to maximize revenue potentials and to provide public parking facilities in accordance with the urban design goals of the County.

By policy, the County does not construct new parking facilities until development is committed. This assures that market demand for Facilities is present and avoids the construction of speculative projects.

Montgomery County Parking Lot Districts

There are four parking lot districts in the major urbanized areas of the County. Prior to 1987, general obligation bonds were issued by the County to finance the construction of the parking facilities in these areas. In 1987, the County began issuing parking revenue bonds secured by (i) ad valorem tax revenues levied on commercial and residential property located within each parking district and (ii) revenues from parking fines, meter collections, and fees from off-street lots and parking garages. The four parking districts collectively have 18 garages with a total occupancy of approximately over 20,000 parking spaces.

The Bethesda Parking Lot District was established in 1947 pursuant to Chapter 60 of the Montgomery County Code, the other three parking lot districts and their respective dates of establishment are as follows:

Table 2: Montgomery County, MD Parking Districts

Parking Lot District	Date of Establishment	Number of Spaces
Silver Spring	1943	12,275
Bethesda	1947	6,751
Wheaton	1951	1,460
Montgomery Hills	1951	130

Bethesda Central Business District

The County's four Central Business Districts (CBD) in Silver Spring, Wheaton, Bethesda, and Friendship Heights are served by the region's longest extensions of the Metrorail system, and are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations

The Bethesda CBD located in downtown Bethesda has become a major urban business and entertainment center in the Washington region, due to the presence of almost 200 restaurants along with the density of both high-rise office and residential buildings. Federal Realty Investment Trust is in the process of completely renovating and reconstructing the streetscape of a seven-block area called Bethesda Row, greatly increasing the mix of retail offerings in Bethesda. The most recent addition to this area is the Landmark Row Cinemas, an "art house" type theater that features mostly independent films. The major office component of Bethesda Row is a 135,000 square foot office and retail building at 7255 Woodmont Avenue. This building was completed in 2001 and is fully leased to Opnet Technologies and AMI Capital, Inc. This facility also features a number of popular street-level restaurants and shops, including Jaleo, Cosi, and Mon Ami Gabi. Additionally, the final phases of Bethesda Row are becoming reality with the relocation and construction of a new gourmet Giant Supermarket and the addition of several luxury apartments and condominiums.

The rest of downtown Bethesda continued to see new additions in 2004. Most notably, Nederlander Worldwide Entertainment announced last year that it would establish its East Coast headquarters in the former Bethesda Theater Café building. The theater underwent over $6 million in renovations in preparation for Nederlander's arrival. The company began producing off-Broadway productions in the theater in 2004. Additionally, a number of luxury townhomes have been built above the theater along with a 345-space County parking garage.

In the downtown Bethesda office market, the major reinvestment program that changed the skyline of the Bethesda CBD is nearing completion. A comprehensive planning program for the CBD was completed in 1984 with a focus on the Bethesda Metro Center station and all of the development associated with that program was constructed. The final major projects completed in the plan were the 306,000 square foot Francis G. Newlands building which was delivered in September 1999, and the 700,000 square foot Chevy Chase Bank headquarters building at 7501 Wisconsin Avenue that was delivered in September 2001. The Chevy Chase Bank building features two 15-story towers and is the corporate headquarters for Chevy Chase Bank. The facility also includes a Chevy Chase Bank branch, a restaurant, retail shops, and a 400-seat performing arts theater. A number of other tenants signed leases in the building, including Profunds Advisors, GMAC, Green Park Financial, and Global Reliance Technology.

Other new mixed-use developments breaking ground include Bethesda View, a Sheridan development; The Palisades, a development by Southern Management; and Residence at Rosedale, a luxury rental apartment project from Magruder Properties.

Downtown Bethesda also features the Capital Crescent Trail, an abandoned railway right-of-way that was purchased by the County and turned into a popular recreational hiker-biker trail running from Silver Spring to the Georgetown area of Washington, D.C.

The Project

The Project provides for the renovation and construction of public parking facilities in the Bethesda Parking Lot District. A significant portion of the Project consists of the renovation of Garage 11 (Woodmont Corner Garage). Garage 11 has been independently determined to be in structural distress and will undergo rehabilitative demolition and construction to strengthen its structural integrity and safety. The Project is expected to be financed from the proceeds of the Series 2005 Bonds and other available funds and includes costs associated with engineering design, project management, and building demolition and construction. Currently, the cost of the Project is estimated at $15.1 million.

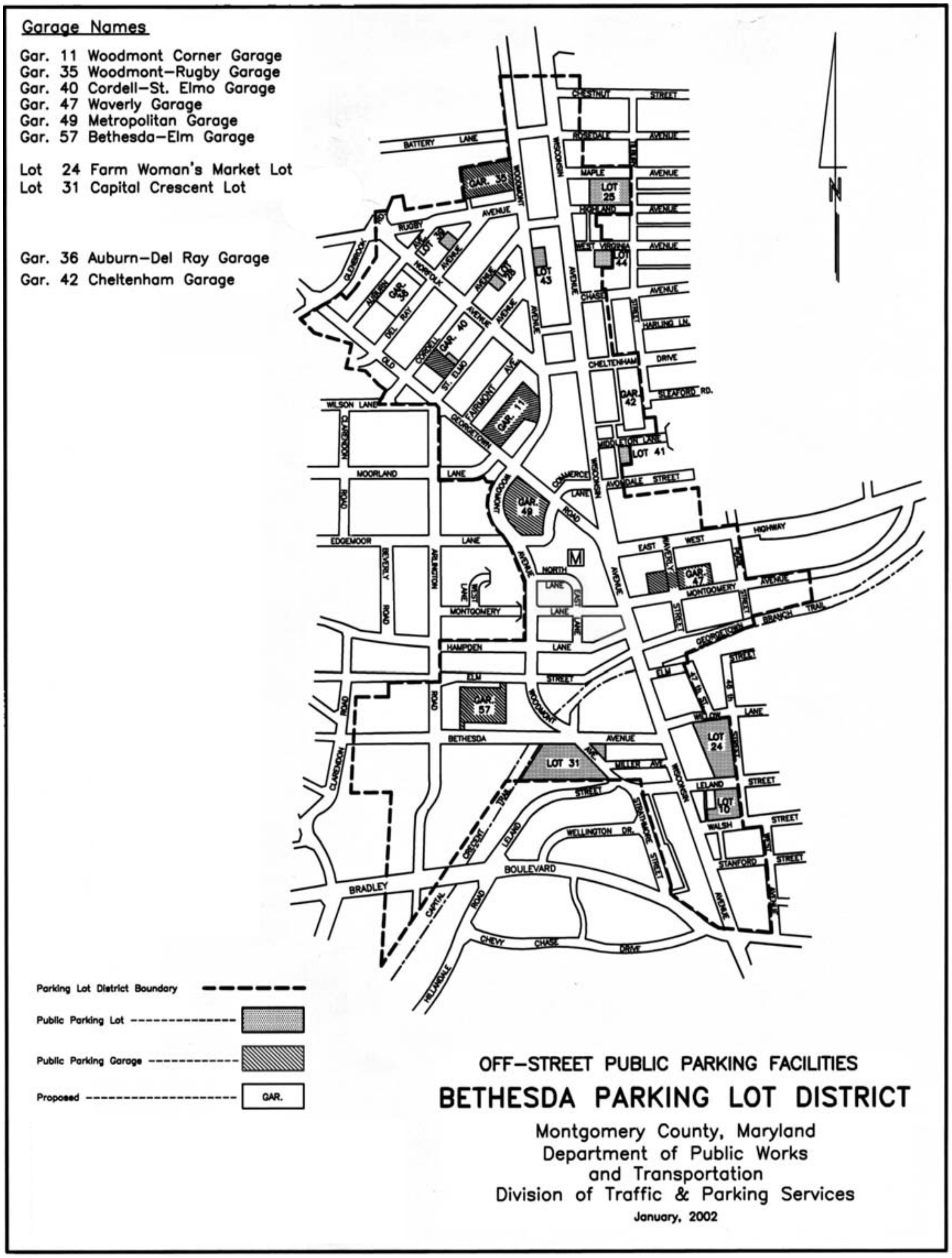
Bethesda Parking Lot District

The Bethesda Parking Lot District includes 17 separate Facilities, providing 881 surface parking spaces, 5,079 multi-level garage spaces and 791 metered curb spaces.

A map of the Bethesda Parking Lot District appears on the following page.

[remainder of page intentionally left blank]

Figure 1: Bethesda Parking Lot District



Revenue Sources of the Bethesda Parking Lot District

The primary revenue sources of the Bethesda Parking Lot District are parking fee revenues, parking fine revenues and special tax revenues. Historically, revenues generated from parking fees constitute approximately 50% of the Bethesda Parking Lot District's total revenues with approximately 40% of the parking fee revenues coming from monthly parking fees. In FY04 fines and penalties comprising approximately 30% of total revenues and property tax revenues comprised 20% of total revenues.

Table 3: Historical Primary Revenue Distribution

	FY2000	FY2001	FY2002	FY2003	FY2004
Parking Fees	5,283,555	6,034,266	7,448,902	7,943,266	7,974,045
Fines and Penalties	2,177,277	2,498,879	3,977,908	4,262,084	4,818,740
Property Tax	3,182,206	3,390,866	3,562,543	3,443,038	3,586,445
Total	10,643,038	11,924,011	14,989,353	15,648,388	16,379,230

Parking Fee Revenues. Parking fee revenues are the largest revenue source of the Bethesda Parking Lot District, comprising approximately 50% of the total revenues of the District. The County has budgeted parking fee revenues for FY05 of $8,881,160. Parking fees for short-term, long-term, monthly and car pools established as of FY05 are shown in the Table 4 below.

Table 4: Fee Schedule

Fee Arrangement	Amount
Short-term – per hour	$ 0.75
Long-term – per hour	0.50
Monthly	95.00
2 Person Carpool (monthly)	70.00
3-4 Person Carpool (monthly)	40.00
5 or More Person Carpool (monthly)	10.00

Special Tax Revenues. Property tax revenues comprise the third largest revenue source to the Bethesda Parking Lot District's total annual revenues. Property tax fees levied on the real and personal property within the District are set by the Montgomery County Council as part of the County's annual budget process (subject to cap, as more fully discussed below). The property taxes are then collected on the County's annual property tax bill. Unpaid balances and delinquent accounts are then subject to the County's tax sale collection process.

Tables 5 and 6 on the following page present the historical and projected assessable base upon which the special tax is levied in the Bethesda Parking Lot District. The Unimproved Tax Base varies as a result of demolition and reconstruction of new property on the same site.

[remainder of page intentionally left blank]

Table 5: Existing Special Tax Base ($000)*

FY Ending June 30,	Real Property Improved	Real Property Unimproved	Personal Property Improved	Personal Property Unimproved	Total
2000	618,422	77,632	166,603	3,975	866,632
2001	727,481	38,645	175,479	20,419	962,023
2002	710,779	145,223	185,156	20,844	1,062,003
2003	755,543	17,041	174,649	23,176	970,409
2004	837,104	36,091	159,652	21,276	1,054,122

Table 6: Projected Special Tax Base ($000)

FY Ending June 30,	Real Property Improved	Real Property Unimproved	Personal Property Improved	Personal Property Unimproved	Total
2005	925,100	20,600	176,700	23,300	1,145,700
2006	1,038,000	23,100	182,000	24,000	1,267,100
2007	1,147,800	25,500	186,600	24,600	1,384,500
2008	1,278,600	28,400	191,500	25,200	1,523,700
2009	1,409,100	31,300	196,700	25,900	1,663,000
2010	1,537,600	34,200	201,700	26,600	1,800,100

Notes: *For FY00 and FY01, the tax bases have been restated to reflect 100% of all real property fair market value, consistent with the presentation after FY01. This conforms to Maryland law in effect from July 1, 2001 requiring that each real property is assessed at 100% of its fair market value.

The current levy is $0.28 and $0.14 per one hundred dollars of assessed valuation, respectively, for improved real property and unimproved real property in the Bethesda Parking Lot District. If an owner or lessee of property in the Bethesda Parking Lot District provides off-street parking facilities, such property may be exempt from the special tax or the applicable special tax may be reduced. However, Chapter 60 of the County Code provides no reduction in special tax unless a certain minimum number of parking spaces is provided.

Table 7 below shows the maximum tax revenues generated from assessing real and personal property at 100% of allowable tax rates. Currently, tax rates are set at 70% of statutory allowable tax rates. For FY05 the statutory maximum allowable tax revenue is approximately $5.625 million.

Table 7: Maximum Tax Rates and Levy Revenue

STATUTORY MAXIMUM TAX RATE AND MAXIMUM REVENUE

	Maximum Authorized Tax Rates					Maximum Authorized Tax Levy				
	REAL		PERSONAL			REAL		PERSONAL		
30-Jun	Improved	Unimproved	Improved	Unimproved	30-Jun	Improved	Unimproved	Improved	Unimproved	Levy
2000	0.40	0.20	1.00	0.50	2000	$ 2,473,688	$ 155,264	$ 1,666,030	$ 19,875	$ 4,314,857
2001	0.40	0.20	1.00	0.50	2001	2,909,924	77,290	1,754,790	102,095	4,844,099
2002	0.40	0.20	1.00	0.50	2002	2,843,116	290,446	1,851,560	104,220	5,089,342
2003	0.40	0.20	1.00	0.50	2003	3,022,172	34,082	1,746,490	115,880	4,918,624
2004	0.40	0.20	1.00	0.50	2004	3,348,416	72,182	1,596,520	106,380	5,123,498
2005 (1)	0.40	0.20	1.00	0.50	2005	3,700,400	41,200	1,767,000	116,500	**5,625,100**

Notes :(1) Budget

Table 8 below shows the actual tax revenues generated from the current tax rates.

Table 8: Actual Tax Rates and Levy Revenue

ACTUAL TAX RATE AND REVENUE

	Actual Tax Rates					Actual Tax Levy				
	REAL (1)		PERSONAL			REAL		PERSONAL		
30-Jun	Improved	Unimproved	Improved	Unimproved	30-Jun	Improved	Unimproved	Improved	Unimproved	Levied
2000 (1) (2)	0.70	0.35	0.70	0.35	2000	$ 1,731,582	$ 108,685	$ 1,166,221	$ 13,913	$ 3,020,400
2001 (1)	0.70	0.35	0.70	0.35	2001	2,036,947	54,103	1,228,353	71,467	3,390,869
2002	0.28	0.14	0.70	0.35	2002	1,990,181	203,312	1,296,092	72,954	3,562,539
2003	0.28	0.14	0.70	0.35	2003	2,115,520	23,857	1,222,543	81,116	3,443,037
2004	0.28	0.14	0.70	0.35	2004	2,343,891	50,527	1,117,564	74,466	**3,586,449**

Notes:

(1) Real Property Assessment Rates have been adjusted to reflect 100% of Assessed Real Property Valuation

(2) Total audited revenue amounts do not necessarily equal total levied revenue amounts

The determination of the parking fees and the special tax is part of the normal budgetary process of the County. For further information regarding the County, see Appendix A, "INFORMATION ABOUT THE COUNTY AS OF JANUARY 13, 2005."

Parking Fine Revenues. Fines and penalties budgeted to be collected in FY05 by the Bethesda Parking Lot District will amount to approximately $4,133,470.

Historical Revenue Collections. Table 9 below presents a history of special tax rates, levies and collections for the Bethesda Parking Lot District.

[remainder of page intentionally left blank]

Table 9: Summary of Special Tax Rates, Levies and Collections

Bethesda Parking Lot District(1)(2)

Fiscal Year Ended June 30	Unimproved	Commercial/ Industrial	Total Taxes Levied	Total Taxes Collected	Percentage of Total Levy Collected	Aggregate State & County Tax Rates, Excluding Special Tax Rates(2)
1995	0.35	0.70	$2,795,141	$2,651,712	94.87%	2.824
1996	0.35	0.70	2,800,390	2,709,302	96.75	2.836
1997	0.35	0.70	2,767,884	2,456,351	88.74	2.847
1998	0.35	0.70	2,794,859	2,849,414	101.95	2.847
1999	0.35	0.70	2,899,145	2,831,380	97.66	2.828
2000	0.35	0.70	3,020,402	3,224,715	106.76	2.801
2001	0.35	0.70	3,390,866	3,271,340	96.48	2.802
2002	0.14(0.35)	0.28(0.70)	3,562,543	3,593,722	100.88	1.121
2003	0.14(0.35)	0.28(0.70)	3,443,038	3,354,701	97.43	1.119
2004	0.14(0.35)	0.28(0.70)	3,586,445	3,517,115	98.07	1.167

Notes:

(1) For FY02, FY03, and FY04, the tax rates shown are for real property tax with the personal property tax rates presented in parenthesis. For all other years, the tax rates shown are applicable to both real property and personal property taxes.

(2) For FY02, FY03, and FY04, the lower tax rates shown reflect the State of Maryland mandated change effective July 1, 2001 to assess each real property at 100% of its fair market value, with corresponding reductions in tax rates.

FY00 – FY04 Audited Income Statements

Table 10 on the following page shows the Bethesda Parking Lot District's audited Income Statements for FY00 – FY04.

[remainder of page intentionally left blank]

Table 10: FY00 - FY04 Audited Financials

	FY2000	FY2001	FY2002	FY2003	FY2004
Operating Revenues					
Sales-net	-	-	-	-	-
Charges for services	5,283,555	6,034,266	7,448,902	7,943,266	7,974,045
Licenses and permits	-	-	-	-	-
Fines and penalties	2,177,277	2,498,879	3,977,908	4,262,084	4,818,740
Total Operating Revenues	**7,460,832**	**8,533,145**	**11,426,810**	**12,205,350**	**12,792,785**
Operating Expenses					
Cost of goods sold	-	-	-	-	-
Personnel costs	1,005,919	1,129,430	1,145,321	1,075,745	1,097,234
Postage			5,557	1,312	932
Insurance			19,830	19,650	30,010
Supplies and materials	235,446	103,109	120,164	120,657	159,434
Contractual services	1,668,049	1,968,587	1,579,310	2,234,924	2,506,107
Communications	17,672	32,730	74,397	47,836	53,915
Transportation	44,020	40,898	50,189	59,365	66,261
Public utility services	433,328	380,627	312,329	383,292	517,111
Rentals	18,219	22,921	21,874	42,258	67,086
Maintenance	476,332	373,333	1,054,086	892,969	612,902
Depreciation and amortization	3,712,427	2,906,366	3,041,449	3,093,682	3,394,701
Bad debt expense	398,308	346,845			
Other	103,007	136,458	53,337	51,112	49,888
Total Operating Expenses	**8,112,727**	**7,441,304**	**7,477,843**	**8,022,802**	**8,555,581**
Operating Income (Loss)	**(651,895)**	**1,091,841**	**3,948,967**	**4,182,548**	**4,237,204**
Nonoperating Revenues (Expenses)					
Property taxes	3,182,206	3,390,866	3,562,543	3,443,038	3,586,445
Intergovernmental	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	343,528	-	-
Investment income	815,196	1,001,804	216,891	407,108	293,535
Interest expense	(1,232,888)	(993,327)	(835,386)	(1,738,881)	(1,619,926)
Other revenue	2,190	-	896,212	94,051	555,748
Total Nonoperating Revenues (Expenses)	**2,766,704**	**3,399,343**	**4,183,788**	**2,205,316**	**2,815,802**
Income (Loss) Before Operating Transfers	**2,114,809**	**4,491,184**	**8,132,755**	**6,387,864**	**7,053,006**
Operating Transfers In (Out)					
Operating transfers in	-	-	-	-	-
Operating tranfers (Out)	(2,040,160)	(2,418,180)	(2,956,010)	(3,211,864)	(4,867,051)
	(2,040,160)	**(2,418,180)**	**(2,956,010)**	**(3,211,864)**	**(4,867,051)**
Net Income (Loss)/Change in Retained Earnings	**74,649**	**2,073,004**	**5,176,745**	**3,176,000**	**2,185,955**
Fund Equity - Beginning of Year	48,971,474	49,046,123	51,119,127	56,295,872	59,471,872
Fund Equity - End of Year	**49,046,123**	**51,119,127**	**56,295,872**	**59,471,872**	**61,657,827**

Outstanding Bethesda Parity Bonds

On May 29, 2002, the County issued its Parking System Revenue Refunding Bonds (Bethesda Parking Lot District) Series 2002A, in the original aggregate principal amount of $14,560,000 (the "2002 Refunding Bonds"). On June 25, 2002, the County issued its Parking Revenue Bonds (Bethesda Parking Lot District), Series 2002A, in the original aggregate principal amount of $26,000,000 (the "2002 New Money Bonds" and, together with the 2002 Refunding Bonds, the "Outstanding Bethesda Parity Bonds"). The Outstanding Bethesda Parity Bonds are secured on an equal and ratable basis with the Series 2005 Bonds and any Additional Bonds that may be issued under the Order from time to time.

Table 11 presents the debt service requirements of the Bethesda Parking Lot District upon the issuance of the Series 2005 Bonds and the delivery of the Series 2005 Bonds.

Table 11: Summary of Debt Service Charges by Fiscal Year

Bethesda Parking Lot District

Fiscal	Outstanding Bethesda Parity Bonds			Series 2005 Bonds			Total Debt Service		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	$3,315,000	$1,386,603	$4,701,603	-	-	-	$3,315,000	$1,386,603	$4,701,603
2006	3,430,000	1,282,103	4,712,103	-	$285,288	$285,288	3,430,000	1,567,391	4,997,391
2007	3,550,000	1,168,028	4,718,028	-	680,158	680,158	3,550,000	1,848,186	5,398,186
2008	2,595,000	1,043,778	3,638,778	580,000	665,658	1,245,658	3,175,000	1,709,436	4,884,436
2009	2,730,000	930,678	3,660,678	610,000	635,908	1,245,908	3,340,000	1,566,586	4,906,586
2010	1,200,000	821,478	2,021,478	640,000	607,858	1,247,858	1,840,000	1,429,336	3,269,336
2011	1,250,000	773,478	2,023,478	665,000	581,758	1,246,758	1,915,000	1,355,236	3,270,236
2012	1,305,000	723,478	2,028,478	690,000	554,658	1,244,658	1,995,000	1,278,136	3,273,136
2013	1,360,000	671,278	2,031,278	725,000	522,733	1,247,733	2,085,000	1,194,011	3,279,011
2014	1,425,000	615,518	2,040,518	755,000	489,508	1,244,508	2,180,000	1,105,026	3,285,026
2015	1,490,000	554,955	2,044,955	785,000	458,708	1,243,708	2,275,000	1,013,663	3,288,663
2016	1,560,000	489,768	2,049,768	815,000	428,236	1,243,236	2,375,000	918,004	3,293,004
2017	1,635,000	421,128	2,056,128	850,000	397,526	1,247,526	2,485,000	818,654	3,303,654
2018	1,715,000	347,553	2,062,553	880,000	363,989	1,243,989	2,595,000	711,542	3,306,542
2019	1,800,000	268,663	2,068,663	920,000	327,989	1,247,989	2,720,000	596,652	3,316,652
2020	1,890,000	184,063	2,074,063	955,000	290,489	1,245,489	2,845,000	474,552	3,319,552
2021	1,985,000	94,288	2,079,288	995,000	251,489	1,246,489	2,980,000	345,777	3,325,777
2022	-	-	-	1,035,000	210,889	1,245,889	1,035,000	210,889	1,245,889
2023	-	-	-	1,080,000	168,049	1,248,049	1,080,000	168,049	1,248,049
2024	-	-	-	1,125,000	122,706	1,247,706	1,125,000	122,706	1,247,706
2025	-	-	-	1,170,000	75,371	1,245,371	1,170,000	75,371	1,245,371
2026				1,220,000	25,620	1,245,620	1,220,000	25,620	1,245,620
Total	$34,235,000	$11,776,830	$46,011,830	$16,495,000	$8,144,582	$24,639,582	$50,730,000	$19,921,420	$70,651,420

Parking Capital Improvements Program

The County Executive's recommended capital improvements program for Fiscal Years 2005-10 for the Bethesda Parking Lot District includes five projects, at an aggregate projected capital cost of $33,109,848. These projects are as follows.

Bethesda Facility Renovations

This project, funded with current Bethesda Parking Lot District revenues and proceeds of the Bonds, provides for the renovation of, or improvements to, Bethesda parking facilities. This is a continuing program of contractual improvements or renovations, with changing priorities depending upon the type of deterioration and corrections required, that will protect or improve the physical infrastructure to assure construction of safe and reliable parking facilities and to preserve the County's investment. The scope of this project will vary depending on the results of studies conducted under the Facility Planning: Parking project. Included are annual consultant services, if required, to provide investigation, analysis, recommended repair methods, contract documents, inspection, and testing.

Facility Planning: Parking

This project provides funds for parking facility planning studies for a variety of projects under consideration for possible inclusion in the CIP. In addition, facility planning serves as a transition stage for a project between master plan or conceptual stage and its inclusion as a stand-alone project in the CIP. Prior to the establishment of a stand-alone project, the Department of Public Works and Transportation will develop a Program of Requirements (POR) that outlines the general and specific features required on the project. Selected projects range in type including the construction of new parking facilities or improvements to existing facilities. Facility planning is a decision-making process to determine the purpose and need of a candidate project through a rigorous investigation of the following critical project elements: usage forecasts; economic, social, environmental, and historic impact analyses; public participation, investigation of non-County sources of funding; and detailed cost estimates. Facility planning represents planning and preliminary design and develops a POR in advance of full programming of a project in the CIP. This project is funded with current Bethesda Parking Lot revenues.

Bethesda Woodmont Corner Garage 11 Restoration

This project, to be funded with the proceeds of the Bonds, provides for the planning, design, and major restoration of the Woodmont Corner Garage (11). The restoration program includes, but is not limited to, replacement of all structural floor slabs, mechanical, electrical, and plumbing systems in the portion of the structure completed in 1970; a new façade system for the Woodmont Avenue elevation; upgrade of two existing elevators; waterproofing decks; painting; masonry/stair repairs; replacement/upgrade of parking revenue control system; security enhancements; and other items needed for the facility to conform to codes.

Bethesda Wayfinding

This project, funded with current Bethesda Parking Lot District revenues, provides for the design, fabrication and installation of interior and exterior Wayfinding Signage and Graphics in various Bethesda public parking garages to improve the user-friendliness/image of the facilities.

Elevator Modernization

This project, funded with current Bethesda Parking Lot District revenues, provides for the modernization of exisiting elevators in Bethesda Garages to improve elevator safety, operation, and to bring the installation up to current standards such as compliance with the Americans with Disabilities Act and remote montoring.

TAX MATTERS

In the opinion of Bond Counsel, under existing law, the interest on the Series 2005 Bonds (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain requirements that must be met subsequent to the issuance of the Series 2005 Bonds in order for the interest on the Series 2005 Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2005 Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Series 2005 Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the County will execute and deliver a Tax Certificate and Compliance Agreement ("Tax Agreement") on the date of delivery of the Series 2005 Bonds. The covenants and agreements in the Tax Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, the covenants and agreements in the Tax Agreement are sufficient to meet the requirements (to the extent applicable to the Series 2005 Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2005 Bonds from becoming includable in gross income for Federal income tax purposes.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, "adjusted current earnings" would include, among other items, interest on the Series 2005 Bonds. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign corporations operating branches in the United States, and such earnings and profits would include interest on the Series 2005 Bonds.

Other Federal income tax consequences may arise from ownership of the Series 2005 Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2005 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2005 Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2005 Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Series 2005 Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Series 2005 Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Series 2005 Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

The initial public offering price of some of the Series 2005 Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price at which a substantial amount of the same maturity of the Series 2005 Bonds was sold constitutes original issue discount for Federal income tax purposes ("OID"). The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Series 2005 Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Series 2005 Bonds.

A Series 2005 Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Series 2005 Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Series 2005 Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Series 2005 Bonds.

Prospective purchasers of the Series 2005 Bonds should consider possible state and local, excise, or franchise tax consequences arising from OID on the Series 2005 Bonds. In addition, prospective corporate purchasers of the Series 2005 Bonds should consider possible Federal income tax consequences arising from OID on the Series 2005 Bonds under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Series 2005 Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Series 2005 Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Series 2005 Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Series 2005 Bonds and the profit realized from the sale or exchange of the Series 2005 Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Series 2005 Bonds or the interest thereon.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, tax-exempt nature and validity of the Series 2005 Bonds are subject to the approving opinion of Bond Counsel. The opinion is expected to be substantially in the form of the draft opinion attached to this Official Statement as Appendix E.

ENFORCEABILITY OF REMEDIES

The remedies available to the Owners of the Series 2005 Bonds upon an event of default under the Order are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for under the Order may not be readily available or may be limited. The enforceability of certain legal rights related to the Series 2005 Bonds is subject to limitations imposed by bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors’ rights and to general principles of equity.

ABSENCE OF MATERIAL LITIGATION

There is no pending or threatened litigation to which the County is a party which in any way questions or affects the validity of the Series 2005 Bonds, or any proceedings or transactions relating to their issuance, sale and delivery.

RATINGS

Fitch Ratings and Moody’s Investors Service, Inc. have given the Series 2005 Bonds the respective ratings indicated on the cover page of this Official Statement. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by any such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2005 Bonds.

SALE AT COMPETITIVE BIDDING

The Series 2005 Bonds were offered by the County at a competitive bidding on August 10, 2005, in accordance with the Official Notice of Sale. The interest rates shown on the inside cover page of this Official Statement are the interest rates to the County resulting from the award of the Series 2005 Bonds at the competitive bidding. The yields or prices shown on the inside cover page of this Official Statement were furnished by the successful bidders for the Series 2005 Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidders for the Series 2005 Bonds and not from the County.

FINANCIAL ADVISOR

Public Financial Management of Philadelphia, Pennsylvania, has acted as financial advisor to the County in connection with the issuance of the Series 2005 Bonds. Public Financial Management is not obligated to undertake, and has neither undertaken an independent verification of, or assumed responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Public Financial Management is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Series 2005 Bonds, the form of which is attached to this Official Statement as Appendix D.

The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

MISCELLANEOUS

All references to the Series 2005 Bonds and other documents mentioned herein, including any summaries thereof, are qualified in their entirety by reference to such documents. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Series 2005 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2005 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the County.

MONTGOMERY COUNTY, MARYLAND

By: /s/ BRUCE ROMER
Chief Administrative Officer

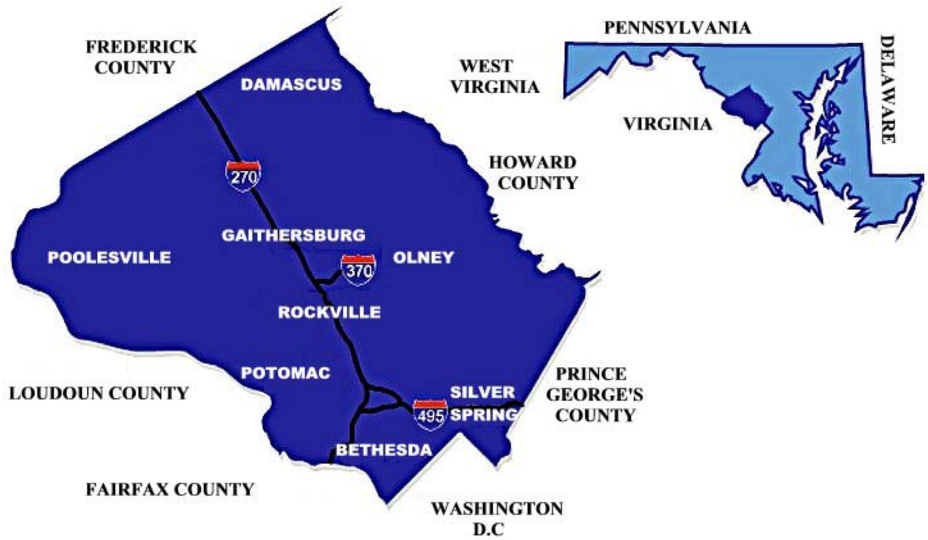
APPENDIX A

INFORMATION ABOUT THE COUNTY AS OF JANUARY 13, 2005

(This page has been left blank intentionally.)

TABLE OF CONTENTS

LIST OF TABLES



ORIENTATION TO THE COUNTY, ITS HISTORY, AND GOVERNMENT

Location

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 497 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

History

Montgomery County was established by the State Convention in 1776, and from its establishment until 1948, the Montgomery County Government functioned under the County Commission system. In 1948, the voters adopted a charter giving the County home rule and a council-manager form of government. In 1968, the voters approved a new charter providing for separate legislative and executive branches of government, with the legislative power vested in an elected County Council and executive power in an elected County Executive. The new charter became fully implemented with the election of the County Executive and the County Council in November 1970.

Government

The County Council is comprised of nine members, four of whom are elected by the qualified voters of the entire County. Each of the five other members of the Council must, at the time of their election, reside in a different one of five Councilmanic districts of the County and each of these five members shall be nominated and elected by the qualified voters in their respective districts. Populations of the Councilmanic districts are substantially equal.

The County Executive, who must be a qualified voter of the County for the five years preceding his or her election and who may not be less than thirty years of age, is elected by the qualified voters of the entire County at the same time as the Council. Both the County Executive and the County Council members serve a four-year term.

County Officials

County Executive - Douglas M. Duncan

Douglas M. Duncan was elected Montgomery County's fifth County Executive on November 8, 1994. He was re-elected to his third term on November 5, 2002, and sworn in on December 2, 2002. A lifelong Rockville resident, Mr. Duncan graduated from St. John's College High School. He went on to attend Columbia University and, in three years, earned a Bachelor of Arts degree, with a double major in Psychology and Political Science (1976). Mr. Duncan worked for the County's Criminal Justice Coordinating Commission before joining AT&T in 1981. He held several positions during his 13-year career at the company, culminating with his assignment as National Account Manager for AT&T Integrated Solutions.

Mr. Duncan's political career began with his election in 1982 to the Rockville City Council, where he served three two-year terms. In 1987, he was elected Mayor of Rockville, a post he maintained for three two-year terms. During Mr. Duncan's tenure as Mayor of Rockville, the City won national and regional awards for governmental excellence, fiscal responsibility, community policing, and environmental achievements. Mr. Duncan bypassed a run for a fourth term as Rockville Mayor in order to pursue his successful bid for the County Executive post in 1994.

President, County Council – Thomas Perez

Thomas Perez was elected to the Montgomery County Council in November 2002, and was recently named Council president by his colleagues. He serves on the Council's Transportation and Environment Committee, where he is lead Councilmember on the environment, and is also a member of the Health and Human Services Committee.

Prior to his election to the Council, Mr. Perez served as Deputy Assistant Attorney General for Civil Rights in the U.S. Department of Justice, and as Director of the Office of Civil Rights at the U.S. Department of Health and Human Services. He later became an Assistant Professor of Law and Director of Clinical Law Programs at the University of Maryland School of Law. He is a graduate of Brown University, Harvard Law School, and the John F. Kennedy School of Government.

Chief Administrative Officer - Bruce Romer

Bruce Romer has served as Chief Administrative Officer since 1995. Prior to Mr. Romer's appointment, he served for six years as City Manager for Rockville, Maryland. His 38 years in professional local government management include city management positions in Davenport, Iowa; Sidney, Ohio; Brighton, Michigan; and suburban Philadelphia, Pennsylvania.

Mr. Romer holds a Bachelor of Arts Degree in Political Science and Business Administration from Wittenberg University, and a Master of Government Administration Degree from The Wharton Graduate School, University of Pennsylvania. He is a past president of the International City/County Management Association (ICMA), and is a past president and a member of the Board of Directors of the Metropolitan Washington Council of Governments. Mr. Romer is Vice-Chair of the Board of Directors of the District of Columbia Water and Sewer Authority and is a member of the Board of Directors of Public Technology, Inc.

Director, Department of Finance - Timothy L. Firestine

Timothy L. Firestine was appointed Director, Department of Finance on July 24, 1991 and confirmed on August 6, 1991. Prior to his appointment, Mr. Firestine served in various management positions in the County's Office of Management and Budget. Before coming to the County, Mr. Firestine was the Budget Officer for the Allegheny County, Pennsylvania, Controller's Office.

Mr. Firestine received his Bachelor of Arts Degree from Albright College and his Master of Public Administration Degree from the University of Pittsburgh. Mr. Firestine is a member of the Board of Investment Trustees for the Employees' Retirement System of Montgomery County. He is a member of the Government Finance Officers

Association and serves on its Committee on Debt. Mr. Firestine is currently the President of the Maryland Government Finance Officers Association and served on the Board of Trustees for Suburban Health Care System, Inc., in Bethesda, Maryland. Mr. Firestine is also an adjunct professor at the University of Maryland, Graduate School of Public Policy, where he teaches Public Finance.

Director, Office of Management and Budget – Beverley K. Swaim-Staley

Beverley K. Swaim-Staley was appointed Director of the Office of Management and Budget on May 27, 2003. Prior to her appointment, she served as the Deputy Secretary of the Maryland Department of Transportation for four years, and as the Chief Financial Officer for five years. From 1983 to 1993, Ms. Swaim-Staley was a budget analyst for the Maryland General Assembly.

Ms. Swaim-Staley holds Bachelor of Arts and Master of Arts Degrees from Hood College in Frederick, Maryland. She serves on the Board of Investment Trustees for the Employees' Retirement System of Montgomery County.

County Attorney - Charles W. Thompson, Jr.

Charles W. Thompson, Jr. was appointed County Attorney on February 9, 1995, and was confirmed on March 7, 1995. For the prior 17 years, Mr. Thompson served as County Attorney for Carroll County, Maryland. From 1975 to 1978, Mr. Thompson was an assistant state's attorney in Carroll County.

Mr. Thompson received a bachelor's degree in history from Virginia Military Institute and earned his Juris Doctor from the University of Baltimore School of Law. In addition to serving as president of the Carroll County Bar Association, Mr. Thompson has been active with the Montgomery County Bar Association and the Maryland State Bar Association. He is a member of the Board of Directors, and Treasurer, of the International Municipal Lawyers Association, and served as Chairman and is a member of the Section Council, State and Local Government Law Section of the Maryland State Bar Association.

Mr. Thompson is currently serving as an adjunct professor at the National Law Center, George Washington University, teaching State and Local Government Law.

GENERAL INFORMATION ABOUT COUNTY GOVERNMENT AND SERVICES

Culture and Recreation

The County Department of Recreation provides a wide range of programs including: aquatics, camps, classes, youth and adult sports, summer fun centers, teen, senior citizen and therapeutic programs. The Department operates 18 community centers that facilitate leisure activity, social interaction, family participation, and neighborhood civic involvement. An additional 12 program sites serve select senior populations, offering adults aged 55 and above classes, sports and fitness, trips, neighborhood programs, and special programs for frail and isolated seniors. Three new community centers are proposed for development within the next six years. The Department operates the Charles W. Gilchrist Center for Cultural Diversity, a unique facility that serves as a cultural and community focal point. The Department also funds the Gaithersburg Senior Center and the Takoma Park Community Center through significant grants.

There are presently seven large public outdoor swimming pools and three regional indoor aquatic complexes that provide for a variety of instructional, recreational, and competitive aquatic programs. A fourth indoor swim center, the Germantown Indoor Aquatic Center, is scheduled to open in FY06.

The Strathmore Hall Arts Center, located in the historic Corby Mansion, houses the Strathmore Hall Foundation. The Center's original structure has undergone a $3 million addition and renovation, and is used for art shows, concerts, and dramatic readings. Significant improvements were made at the Center with the construction of a multi-disciplinary education and performance center on a five-acre site adjacent to the Center. The Arts Education facility houses a full range of complementary arts education classes for children and adults. It combines studio, classroom, rehearsal, and performance space for students. The performance hall is capable of supporting large-scale (2,000 seat) musical presentations including major choral, orchestral, and popular entertainments.

As part of the Silver Spring Redevelopment project, the historic Silver Theatre, operated by the American Film Institute, was restored. Two additional theatres were constructed on the same site. Located on an adjacent site is the Round House Theatre School, which provides both theatrical and educational programs. Round House also operates a 400 seat theatre in Bethesda. Additional cultural opportunities are available at Montgomery College. The College operates a Summer Dinner Theatre, and its Performing Arts Series features theatre, dance, and music performances.

Economic Development

Department of Economic Development

The mission of the Montgomery County Department of Economic Development (DED) is to develop strategies and implement programs that will maintain and expand the County's economic base, promote business growth, generate employment opportunities, and increase tax revenues.

To achieve this mission, DED provides services to help existing businesses expand, new businesses to locate in the County, small and minority-owned businesses grow, promote high technology development, attract foreign investments, expand the County's export base, preserve farmland, and enhance the viability of the agricultural industry. DED's responsibilities also include initiatives to enhance the presence of higher education in the County, to further develop the County-owned biotechnology research park, the Shady Grove Life Sciences Center, and to operate and expand the County technology business incubators, the Maryland Technology Development Center and the Silver Spring Innovation Center. In addition, DED oversees the County training and employment programs through its Division of Workforce Investment Services, tourism promotion programs operated by the Montgomery County Conference and Visitor's Bureau, and the small business services offered by Montgomery County's Business Resource Center.

Economic Development Services and Programs

Existing and prospective new businesses receive an array of professional assistance from DED. This assistance can take the form of site searches (DED maintains an inventory listing of available office, R&D and industrial space in the County), information on zoning, comparative tax data, socioeconomic statistics, and permit expediting. In addition, DED teamed up with the Small Business Development Center (SBDC) in 1993 to provide specialized counseling services and seminars to assist small and start-up businesses in the County. The SBDC is a joint partnership among the State of Maryland, the County, and the Small Business Administration.

Economic Development Fund and Other Financial Incentives

Businesses seeking to either establish a presence or expand facilities in the County may qualify for assistance through the County's Economic Development Fund. Established in 1995, the Economic Development Fund provides assistance to private employers who will either retain jobs in the County, or create new jobs through the expansion of current businesses or location of new businesses to the County. The Economic Development Fund is administered by the Department of Finance.

As of October 12, 2004, 124 offers for grants and loans totaling $20.3 million were accepted under the Economic Development Fund Grant/Loan Program. The economic impact of these transactions is estimated to include: 32,132 jobs retained or gained; over $1.44 billion in private investment; and an annual net revenue return of over $36.2 million.

In addition to the original Economic Development Fund program, three other financial incentive programs were added. The Technology Growth Program (TGP) was developed to facilitate the growth of early-stage technology-based companies located or desiring to locate in the County. The Program is aimed at leveraging private sector financing and State Challenge and Equity Investment funds. Since the beginning of the TGP in 1999, 24 companies received funding for a total of $1.5 million. The Small Business Revolving Loan Program was created to help small business concerns in the County and to finance economic development projects that cannot be financed through traditional private and public sources. Since the beginning of this Program, 13 small businesses received loans totaling $910,000. The Demolition Loan Program is administered by the Department of Housing and Community Affairs. This innovative program provides assistance to owners of obsolete, underutilized commercial buildings to demolish buildings and clear the land to ready it for redevelopment. Through these programs, DED works to develop offers of assistance, frequently in close cooperation and coordination with the State of Maryland, and frequently leverages additional offers of assistance from State sources.

Economic Advisory Council (EAC)

This 30-member blue ribbon group advises the County government on important economic development policies, as well as on fiscal, budgetary, and management issues. Comprised of business, education, and community group representatives, the EAC helps DED evaluate economic trends and develop strategies related to the County's employment base and the attraction, retention, and expansion of businesses. This past year the EAC developed a strategic plan for economic development, a visionary blueprint for the future.

Shady Grove Life Sciences Center

The Shady Grove Life Sciences Center (the "Center") is a 300-acre advanced research and technology park exclusively oriented to the needs of the biotechnology and healthcare industries. The Center is owned, developed, and operated by the County, with the Department of Economic Development taking the lead responsibility for the Center's promotion and management.

The Center was developed in the early-to-mid 1980's in response to the cancer research and gene therapy advances developed in County-based Federal agencies such as the National Institutes of Health. Many of the government scientists most responsible for this research would use their skills and knowledge to form their own private biotechnology companies. Montgomery County recognized the growth potential of the biotechnology industry and quickly developed the concept of the Life Sciences Center to provide these new entrepreneurs with the facilities and resources necessary to stimulate the rapid growth of their new companies.

The Center, located along the Interstate 270 "Technology Corridor" in Rockville, developed around a core of existing healthcare facilities, including Shady Grove Adventist Hospital. The Center's first biotechnology tenants were Otsuka America Pharmaceutical, Inc., and BioReliance, both of which entered the Center in 1985. Otsuka currently has a 55,000 square foot R&D facility in the Center, along with a 90,000 square foot office building off-site. BioReliance continues to have a major presence in the Center with an 80,000 square foot R&D and manufacturing facility, along with a 50,000 square foot corporate office building. Additional major biotech organizations currently in the Center include Human Genome Sciences, The Institute for Genomic Research, and EntreMed.

In addition to the core of biotechnology companies, the Center also features university campuses for both Johns Hopkins University and the Universities at Shady Grove, a part of the University of Maryland system. Both of these universities' curricula feature a wide range of biotechnology and life sciences courses and programs. Also present in the Center is the 120,000 square foot Center for Advanced Research in Biotechnology (CARB). CARB, created by a joint effort among the National Institute of Standards and Technology (NIST), the University of Maryland Biotechnology Institute (UMBI), and Montgomery County, provides a unique forum for collaborative biotechnology research among academic, government, and industry scientists.

Another unique feature of the Center is the Maryland Technology Development Center (MTDC). Opened in 1998, the MTDC is a 55,000 square foot incubator facility for start-up biotech and information technology companies. The MTDC is managed by Montgomery County and has been fully occupied since it opened. A number of start-up companies "graduated" from the MTDC and moved into larger office and laboratory space elsewhere in Montgomery County.

The success of the Center resulted in significant growth of adjacent research campuses. The Belward Research Campus, an extension of the Center, is a 30-acre campus site jointly developed by Montgomery County and Johns Hopkins University. Both Human Genome Sciences and Automated Precision Instruments constructed research and manufacturing facilities on the campus, which can accommodate about 500,000 square feet of development. An additional 100 acres of the Belward Campus is programmed for future development.

The success of the Life Sciences Center allowed it to continue to grow and expand. Completed in 2004 were three significant construction and expansion projects, including the fifth building for The Institute for Genomic Research. This four-story, 120,000 square foot building was completed in 2004 and features wet and dry lab space and administrative office space. In addition, the third building on the campus of Johns Hopkins University broke ground in September of 2003 and opened in late 2004. The new building has 155,000 square feet, 50,000 square feet of which will be classrooms, computer labs, and related academic space. The additional space is being used to attract additional high tech companies with whom Johns Hopkins will establish academic and research collaborations. Finally, the Center for Advanced Research in Biotechnology (CARB) is undergoing a significant expansion. A second CARB building (known as CARB II) broke ground in September 2003 and will feature 140,000 square feet of state-of-the-art laboratories, key core facilities, and training centers that will address the workforce needs of Maryland's biotechnology industry. This $48 million facility should deliver in early 2005.

Education

The 2003 Census Update Survey indicated that County residents, on average, continue to be highly educated. The proportion of County residents 25 years old or over completing four or more years of college continued to increase, from 33.2 percent in 1970 to 62.8 percent in 2003. Advanced degrees are held by 34.0 percent of the adult population. High school graduates account for 91.4 percent of the County population aged 25 and over, above the 79.5 percent proportion in 1970, the 87.3 percent in 1980, and the 90.3 percent in 2000.

Within a 40-mile radius of Montgomery County, there are 32 colleges and universities offering degrees in various disciplines. Many of those institutions also offer advanced degree programs in engineering, medicine, business, and computer sciences. The following table lists selected schools within or near the County, and shows the student enrollment and offered degrees for each institution.

Table 1
Secondary Education

School	Student Enrollment	Types of Degrees Offered
American University, Washington, DC	10,000	4-year, professional
Catholic University, Washington, DC	5,981	4-year, professional
Hood College, Frederick, MD	1,793	4-year, professional
Howard University, Washington, DC	11,256	4-year, professional
Johns Hopkins University, Baltimore, MD	19,900	4-year, professional
Montgomery College, Rockville, MD	21,671*	2-year**
University of Maryland, College Park, MD	55,555	4-year, professional

* Excludes enrollment in workforce development and continuing education classes.
** Articulation agreements with 4-year institutions are available.
Note: Most current data available for each institution.

Montgomery County Public Schools (MCPS) is governed by an elected Board of Education comprised of eight members, including one student member. The Board, which was created by State law, appoints the Superintendent and all other employees. The system operates 192 elementary and secondary schools. The operating budget is $1.609 billion for FY05, a 7.2 percent increase over the prior year, and the FY05-10 capital improvements budget is $912.8 million. The emphasis that County residents place on education is reflected in per pupil operating expenditures of $10,537 in FY05, and in the high percentage of high school graduates who continue formal education. In FY05, projected enrollment is 140,492 students.

Libraries

There are 23 libraries located throughout the County. In addition, a bookmobile provides limited book selections to numerous small communities, and a library is also operated at the County Detention Center. During FY04 489,000 registered patrons used library facilities and the collection was approximately 2.8 million volumes; total circulation was over 11.4 million. Per capita circulation of 12.25 books is among the highest in Maryland and nationally.

Liquor Control

State legislation established a Liquor Control Board in Montgomery County on December 5, 1933, shortly after the end of nationwide prohibition, giving the board monopoly power for the issuance of liquor, wine, and beer licenses in the County; the distribution of beverage alcohol at the wholesale level to County licensees; and the retail sale of liquor package goods for off-premise consumption. The Department of Liquor Control was created by Section 159 of Article 2B of the Annotated Code of Maryland, effective July 1, 1951. This newly-created Department was assigned the wholesale and retail control powers of the previous Liquor Control Board as defined in State Code. The Montgomery County Board of License Commissioners, which was created as a separate entity at the same time, assumed the authority to issue licenses for the retail sale of liquor, wine, and beer within the County. In 1997, the unification of Takoma Park gained Montgomery County four additional establishments, with one that is allowed to sell liquor package goods for off-premise consumption.

Today, the Department of Liquor Control's responsibilities include the operation of 25 County retail stores, and a County warehouse that distributes beverage alcohol to the County stores and to approximately 870 licensees, including beer and wine stores, restaurants, and clubs. The Department is a self-supporting business enterprise, with all operating requirements included in the Department's annual budget. Income in excess of departmental needs is transferred to the General Fund to finance other governmental operations.

Parks

The Maryland-National Capital Park and Planning Commission administers more than 32,400 acres of parkland in the County. This includes 12 developed and four undeveloped regional and recreational parks, each typically consisting of over 200 acres, and featuring more than 630 acres of recreational lakes including Lake Frank, Lake Needwood, Little Seneca Lake, and Pine Lake. There are also more than 370 smaller park and open space areas which serve as local and neighborhood parks. Additionally, Seneca Creek State Park is located in the heart of the County, and Patuxent River State Park is located along the County's northeastern border. The National Park Service provides additional park facilities including the C & O Canal National Historic Park, Great Falls National Park, and Glen Echo Park. Also, several municipalities within the County, including Rockville, Takoma Park, Kensington, Gaithersburg, Poolesville, and Washington Grove, among others, maintain local parks.

Public Safety

Fire and Rescue Service

The Montgomery County Fire and Rescue Service (MCFRS) manages all components of the County's emergency medical services and fire suppression systems, including planning, field emergency medical services, fire suppression, apparatus, operations, evaluation and research. The Department is served by 959 uniformed career employees and approximately 909 volunteers, operates 33 fire and rescue stations, and has 43 worksites. MCFRS is a combination system which includes 19 local volunteer departments and a large complement of career firefighters.

In response to increasing calls for service and population growth, MCFRS is adding two new stations in the Germantown area, one in the Travilah area and another in the Clarksburg area. A new fire station is under construction in downtown Silver Spring to replace an existing undersized and obsolete facility. A similar project is also planned in Takoma Park. The Fire and Rescue Service is an active partner in the Public Safety Communication System (PSCS), a multi-departmental effort to create a mobile and wireless architecture and framework system to gather, process, analyze, synthesize and disseminate "real time" information for operational and management functions. The simultaneous integration of computer-aided dispatch, mapping, automatic vehicle locators and route planning systems, pre-incident location planning, computer accessibility in the apparatus, and access to the Department of Homeland Security's Office of Emergency Management's hazardous materials database are cornerstones of this project. MCFRS is actively planning for additional resources based on population growth, call demand and demographic changes in the County. This proactive support and commitment to the future of fire and rescue services in Montgomery County is intended to provide the infrastructure where and when it is needed, with staffing by trained career and volunteer staff.

Police Department

The Montgomery County Police Department (MCPD) is a highly-trained merit-system force of 1,111 sworn officers and 551 civilian staff. MCPD operates over 30 facilities, including six district police stations, and is accredited by the Commission for the Accreditation of Law Enforcement Agencies. In coordination with other County agencies, the Department is a major participant in the County's Public Safety Communication System (PSCS) project. This $148 million effort is aimed at developing a complete mobile data system for the participating agencies, and includes laptop computers in public safety vehicles, an upgraded computer aided dispatch system, in-car report writing, and a new 800 MHz radio system. The project also includes a record management system, an automated vehicle location system, and mapping features. This system became operational in the summer of 2003. A new Emergency Communications Center was established to house the major components of the PSCS system.

The Department has one major capital project involving the renovation of an existing facility: the Public Safety Training Academy (scheduled for completion in the fall of 2007). Several new facilities are planned for the department, including a new facility at the Abandoned Vehicle Lot which includes a Forensics garage, two new district stations (3rd and 6th Districts), a new police substation in downtown Silver Spring, and a new Animal Shelter. The Wheaton renovation project will be completed in the winter of 2005.

In 2003, the Department initiated the Educational Facilities Officer (EFO) program with the hiring of 12 officers. The program will support 32 police officers who will be assigned to the school clusters throughout the County. These officers will perform a variety of safety related duties as described in a Memorandum of Understanding with the Montgomery County Public Schools (MCPS). Complete staffing of the program and deployment of EFO's is projected for January 2005.

Also in 2003, the Department created the Montgomery County Firearms Task Force (MCFTF) to investigate illegal firearms possession in Montgomery County. The MCFTF was a one-year pilot project which was highly successful. In 2004, the MCFTF was re-named the Firearms Investigation Unit (FIU) and made a permanent unit within the Criminal Investigations Division. The FIU is staffed by a Sergeant and three Investigators.

The Montgomery County Gang Task Force is a proactive unit designed to target gangs and gang members who engage in criminal acts. The task force was established to comprehensively address the increased concern about gang related activity as well as involvement in various crimes by gangs, gang members and their associates. The Gang Task Force mission will be two-fold: combat street level gang activity and associated crimes through the identification, arrest, and prosecution of gang members and to gather, document and disseminate intelligence on gangs and their members to the Department and its law enforcement partners. This task force became operational on April 4, 2004, and is a one-year pilot initiative. The Gang Task Force is comprised of members from the Department, the Maryland National Capital Park Police, and the Montgomery County Sheriff's Office.

Department of Correction and Rehabilitation

The Department of Correction and Rehabilitation (DOCR) consists of 534 correctional officers, program staff, and other professionals who provide progressive and comprehensive correctional services through a wide variety of detention and community supervision programs. The Department operates three (3) facilities for incarceration and intensive community reentry planning: the Montgomery County Detention Center, the Montgomery County Correctional Facility, and the Pre-Release Center. The Department also operates pretrial and diversion programs that supervise over 1,500 defendants in the community on a daily basis. The Detention Center, located in Rockville, is a 200-bed, 72-hour holding facility for detainees who are subject to an initial court appearance, and handles all arrest booking, initial assessment of arrestees, maintenance of all inmate records, and release of all inmates. The Circuit

Court Commissioners who handle bail and bond hearings are also housed in this facility. The Montgomery County Correctional Facility (MCCF), a 1029-bed facility located in Clarksburg, houses and provides programs for adult men and women serving sentences up to 18 months, or awaiting trial or sentencing.

In FY04, the local inmate average daily population was approximately 137 at the Detention Center and 631 at MCCF. A combined population of approximately 85 federal inmates on average was being held as well. The average population was 137 residents at the Pre-Release Center and 31 in the nonresidential, prerelease Community Accountability, Reintegration, and Treatment (CART) program. The average local inmate population is projected to grow to over 1,000 by the year 2020. The new MCCF completed its first full year of operation successfully.

The County is engaged to renovate the Montgomery County Detention Center (MCDC) to improve the criminal justice process. The MCDC Reuse capital project provides for the planning, design and renovation of the MCDC for use primarily as a short-term holding and central processing facility. Other proposed uses for MCDC include: DOCR training; District Court Commissioners' area; Department of Health and Human Services - Mental Health Assessment and Placement Unit; Pre-trial Services Assessment Unit; Public Defenders Unit; and the Police Warrants and Fugitive Unit. These uses are considered priority public safety uses.

Public Works

The Division of Operations, in the Department of Public Works and Transportation, ensures the safe and convenient movement of pedestrians and vehicles on County roads, operates the traffic system in a safe and efficient manner, and maintains the County's road system, bridges, storm drains, sidewalks, curbs, gutters, alleys, bikeways, streetlights, traffic signals, facilities and related equipment. The Division's services include bridge maintenance, road resurfacing, roadway and related maintenance, snow removal and storm services, trail maintenance, tree maintenance, urban streetscaping, facility engineering, facility maintenance and operations, County security, parking, street lighting, traffic planning, traffic and pedestrian safety, traffic signs and marking, traffic signals and the Advanced Transportation Management System, and transportation management and operations. Administrative services include document duplication, archiving and mail operations, recycling, warehousing, food services, and moving services. For FY05 the Division has a General Fund operating budget of $51.9 million and staff of 477; an Internal Services Fund budget of $4.2 million and staff of 29; and a Parking Activities budget of $19.7 million and staff of 48.

Solid Waste Management

The County implemented a comprehensive program to manage solid waste generated within the County. The elements of the program include an integrated system of methods and technologies, including source reduction, recycling, waste-to-energy, contractual out-of-County landfilling, maintenance of closed landfills, and a reserve permitted landfill within its borders.

The County continues to strive to meet its aggressive goal of achieving a source reduction and recycling rate of 50 percent. As of July 1, 2004, the program included County-provided separate curbside collection from 201,535 single-family households of yard trim, glass bottles and jars, metal and plastic containers, and all types of clean, unsoiled paper. Under a contract with the County, the Maryland Environmental Service (MES) constructed and operates two facilities for the processing and marketing of the materials. The first is a 42-acre composting facility located in the northwest part of the County which processes yard trimming materials collected in conjunction with a ban prohibiting disposal of yard waste. The second is a Materials Recovery Facility (MRF), located mid-County and capable of processing 100 tons of recyclable containers per eight-hour shift (current operations require only one shift). During early FY04, the County began to reap the benefits of a $1.7 million investment in capital equipment improvements in the MRF. These improvements were completed during FY03. During FY04, the County received $2,280,038 in material sales revenue, an increase of $1,342,096 over the prior year. To assure the processing and marketing of all County residential mixed paper collected, the County utilizes a long-term agreement with Office Paper Systems (OPS), which began in July 2002. The County also enacted mandatory multi-family and commercial recycling regulations, and conducts technical outreach and enforcement in this connection.

A large percentage of the County's non-recycled waste is accepted at the County's Shady Grove Transfer Station and transported by rail to the County's mass burn Resource Recovery Facility (RRF) adjacent to the Mirant Corporation power plant near Dickerson, Maryland. The RRF, with a permitted capacity of 657,000 tons per calendar year, is operated by Covanta Montgomery Inc., and began commercial operations in August 1995. The RRF generates electricity which is sold under a long term contract to Mirant. In October 1997, the County began the export of RRF residue and non-processible waste under a long-term disposal contract utilizing committed capacity at an out-of-County landfill. A new landfill, within the County (known as Site 2) and located approximately two miles from the RRF, was permitted (refuse disposal permit) with adequate capacity for the disposal of all ash, by-pass, and non-processible waste. Under a County Council resolution adopted in May 1996, the County will not develop the Site 2 landfill unless economic conditions or changes in law render out-of-County waste disposal infeasible. The Oaks Landfill discontinued accepting solid waste in October 1997, and all capping and closure activities are complete. The Solid Waste Enterprise Fund maintains restricted cash sufficient to complete 30-year post-closure requirements.

Transportation

Ride-On Bus System

The County Ride-On bus system, designed to complement the service provided by other transit operators in the County, operates on 82 routes. All of those routes serve one or more of the 12 Metrorail Red Line Stations in the County. In FY04, approximately 23 million passenger trips took place on the County system. The entire fleet consists of 257 buses owned and operated by the County, and 96 smaller buses owned by the County and operated by a contractor.

Parking Districts

There are four parking lot districts in the major urbanized areas of the County. Prior to 1987, general obligation bonds were issued by the County to finance the construction of parking facilities in these areas. In 1987, the County began using parking revenue bonds. A special ad valorem tax is levied on certain commercial and residential property located within each district to service debt used to finance parking facilities within the district, the maintenance and operation of such facilities, and capital construction projects within each district. Other significant sources of revenue used to finance the parking program are meter collections, fees from off-street lots and parking garages, and parking fines. The County issued parking revenue bonds in the amount of $81 million for land acquisition, construction, repair and renovation of parking facilities. The four districts collectively have 18 garages with a total of approximately 16,325 parking spaces, 24 surface lots with 2,070 spaces, and 2,195 on-street metered spaces.

Airports

The County is served by three major airports located within 35 miles of Rockville, the County seat. These airports provide high levels of short, long, and international flight services.

Ronald Reagan Washington National Airport is located in Arlington County, Virginia, across the Potomac River from Washington, D.C. Reagan National is accessible to Montgomery County by Metrorail. In 2003, the airport served over 14.2 million passengers on commercial, general aviation and commuter flights, a 10.4 percent increase from 2002.

Dulles International Airport is located in adjacent Fairfax/Loudoun counties, Virginia, and offers commercial, general aviation and commuter service. Dulles served over 16.9 million passengers in 2003, with over 4.0 million of those passengers on international flights. The 16 mile Dulles Access Highway provides two dedicated lanes in each direction and a direct connection to Interstate 66 and the Capital Beltway.

Baltimore-Washington International Airport (BWI) is located in Anne Arundel County, Maryland. Nearly 20.2 million passengers used the airport in 2003, a 5.6 percent increase from 2002. BWI is currently in the midst of a $1.8 billion expansion program, which will increase roadway and parking capacity, and add two skywalks, an expanded concourse, and a new rental car facility. The airport is accessible from the County via the Beltway and either Interstate 95 or the Baltimore/Washington Parkway.

Metrorail Transit System

Metrorail is a 106-mile regional network connecting Washington, D.C. with the expanding Maryland and Virginia suburbs. It includes 38.3 miles of rapid transit services in the District of Columbia, 38.3 miles in Maryland and 29.4 miles in Virginia.

Services of the Washington Metropolitan Area Transit Authority (Metro) are the backbone of the County transit system. Providing service to the County are twelve rapid rail stations with 13,368 parking spaces and additional service by 150 Metrobuses. With the opening of the final Metrorail station in the County (Glenmont) in July 1998, there are now 18.4 miles of rail service operating in the County. Each weekday approximately 160,000 trips are made on Metrorail in Montgomery County. In response to Metro parking demands, 2,900 additional parking spaces recently opened in the County.

Metrobus

Another significant element in the mass transit system is Metrobus, which carries 15 million passengers annually on major trunk lines such as East-West Highway, Georgia Avenue, Viers Mill Road, and Colesville Road. Approximately 150 Metrobuses operate on 39 routes in the County.

MARC Rail

The Maryland Mass Transit Administration operates MARC commuter rail service with 10 stations in the County. County residents make approximately 2,500 trips on MARC each weekday. There are also privately operated commuter bus services into Montgomery County from Hagerstown, Frederick, and Columbia, Maryland, subsidized by the Maryland Department of Transportation, connecting to Metrorail stations in the County.

Water and Sewer Service

Operation and maintenance of the public water and sewer systems in the County (exclusive of the City of Rockville and the Town of Poolesville) is the responsibility of a bi-county agency, the Washington Suburban Sanitary Commission (WSSC). WSSC operates under State law and is governed by a six-member Commission. The county executives of Montgomery County and Prince George’s County each appoint three members, subject to confirmation by the respective county councils. The FY05 approved operating budget for WSSC totals $465.3 million; the approved capital budget totals $225.6 million.

The Potomac and Patuxent Rivers are WSSC’s two major sources of raw water supply, with filtration plants located in Potomac and Laurel, respectively. WSSC has 14 billion gallons of water supply storage and an effective filtration capacity of 320 million gallons per day (MGD). Two reservoirs, Jennings Randolph Reservoir near Bloomington on the North Branch Potomac River and Little Seneca Lake near Boyds on Little Seneca Creek can supplement flows to Potomac River water users, including WSSC and Rockville, with approximately 17 billion gallons of raw water, if needed during low flow periods. An approved expansion of the Patuxent Filtration Plant will increase normal capacity there from 56 MGD to 72 MGD, and emergency capacity from 72 MGD to 120 MGD.

Most of the sewage collected by WSSC’s systems is conveyed for treatment at the Blue Plains Wastewater Treatment Plant (“Blue Plains”) in Washington, D.C. Blue Plains, owned and operated by the District of Columbia Water and Sewer Authority (DC WASA), has a treatment capacity of 370 MGD, of which WSSC’s allocated capacity totals approximately 170 MGD. The County maintains membership on the DC WASA Board. WSSC’s Seneca Creek Wastewater Treatment Plant provides 20 MGD of treatment capacity in the Seneca basin, serving the communities of Gaithersburg, Germantown, and Clarksburg. The County’s Water and Sewer Plan allows for an ultimate capacity of 26 MGD at the Seneca Plant, if needed. WSSC also operates two smaller treatment plants in the county which serve the communities of Damascus and Hyattstown.

WSSC maintains a contract program for annually cleaning, removing debris from, and mortar lining of several miles of water main. There is a routine fire hydrant inspection program, and an extensive, expanding preventive maintenance effort is currently under way. The Commission will expand its sewerage system rehabilitation and reconstruction program over the next several years, addressing rehabilitation needs through a series of sanitary sewer evaluation studies which will focus on each major sewershed in the two counties.

The City of Rockville operates its own water and wastewater system, which serves approximately 90 percent of the City. The City's Sandy Landing Road Water Treatment Plant in Potomac draws raw water from the Potomac River. Rockville is investing $10 million to upgrade its Water Treatment System to meet three objectives: rehabilitate the 40-year old plant, including raw and finished water pumps, to reduce maintenance requirements; upgrade the treatment process to meet stricter environmental standards; and expand the production capability to meet future demand. The construction program began in the early 1990s and will be completed by 2005. The State approved the City's request for a rated capacity expansion of the plant from 8.0 MGD to 12.1 MGD to serve projected growth. The City's sewage flows through the WSSC system for treatment at Blue Plains. The City's allotted capacity at Blue Plains is 9.3 MGD, which is included in WSSC's total allocation of 170 MGD. Rockville initiated a sanitary sewer evaluation study program for the Cabin John sewershed in 2003.

The Town of Poolesville also operates its own water and wastewater systems, which serve the majority of the Town. Raw water for the Town's system is supplied by nine groundwater wells, with an average daily demand of approximately 0.6 MGD. The Town's own wastewater treatment plant operates at a treatment capacity of 0.625 MGD. The Town is proceeding with the drilling of new wells to supplement its existing supply; designs for a 10th well are underway. The Town received a new discharge permit from the State and is in the process of expanding its wastewater treatment capacity to 0.725 MGD to serve planned growth in the community and upgrading the facility to improve the treatment process.

Utilities

Potomac Electric Power Company (PEPCO) serves the major portion of the County, with additional service from the Baltimore Gas and Electric Company (BGE), and Allegheny Power Company. Three natural gas transmission pipeline companies (Columbia Gas Transmission, Dominion Transmission, and Transcontinental Gas Pipeline Corporation) traverse the County, supplying it with Appalachian and Southwest natural gas. Washington Gas distributes this natural gas.

In early 1999, the Maryland General Assembly enacted The Electric Customer Choice and Competition Act of 1999 that effectively deregulates the market for electric power generation. Under a companion act (Senate Bill 344 / House Bill 366), the General Assembly restructured the tax laws affecting the electric industry to ensure that Maryland companies are not put at a competitive disadvantage in relation to out-of-state electric generators. The tax law restructuring accounted for potential revenue losses at both the State and local level, and effectively mitigated any adverse tax impact to county and municipal governments.

Through November 2004, only PEPCO had taken advantage of the Customer Choice and Competition Act regarding the disposition of its generation assets. PEPCO sold these assets in 2000 to the Mirant Corporation, which now runs the generating units in the Dickerson area of the County. PEPCO continues to own and operate its transmission and distribution system.

Financial Institutions

The State of Maryland oversees 147 FDIC insured financial institutions, which in turn operate 1,676 branch banking locations with an estimated $82 billion in deposits. Montgomery County accommodates 30 of these institutions and dominates the majority market share of these deposits with an estimated $21 billion in deposits. The County's financial institutions, comprised of 21 commercial and national banks with 201 branch locations and 9 federal savings and loan banks with 86 branch locations, represent 17.1% of the total branch locations within the State of Maryland. In addition to these FDIC institutions, the County has 19 national credit unions with an estimated $1.8 billion in deposits and a membership base of over 297,000.

Table 2
Summary of Market Share
By County
As of June 30, 2004

City/County	Number of Branch Offices	Deposits (000)	Market Share
Montgomery	287	$21,038,931	26%
Baltimore City	120	13,318,446	16%
Baltimore	290	12,830,132	16%
Prince George's	160	6,865,824	8%
Anne Arundel	161	6,259,586	8%

Table 3
FDIC Institutions Market Share
As of June 30, 2004

Institution Name	Number of Branch Offices	Deposits (000)	Market Share
Chevy Chase	64	$5,113,283	24%
Bank of America	31	3,039,593	14%
Suntrust	41	2,810,513	13%
Wachovia	13	2,757,228	13%

Source: FDIC Summary of Market Share Report for the State of Maryland, NCUA Credit Union Data Report (customized).

Healthcare

There are five accredited hospitals located within the County: Holy Cross Hospital in Silver Spring, Suburban Hospital in Bethesda, Washington Adventist Hospital in Takoma Park, Shady Grove Adventist Hospital, near Gaithersburg, and Montgomery General Hospital in Olney. One military hospital, Bethesda Naval Hospital, has a facility in the County and the National Institutes of Health in Bethesda operates one of the world's foremost centers of medical research. Also accessible to the County are Frederick Memorial Hospital in Frederick County; Laurel Regional Hospital and Prince George's Hospital Center, in Prince George's County; Walter Reed Army Medical Center, and eight other hospitals in the District of Columbia; and 10 hospitals in Northern Virginia.

Travel and Tourism

Travel and tourism generates over $1 billion in travel-related expenditures, $325 million in payroll and 14,700 jobs in the County. Average annual employment in tourism in 2001 was 14 percent of the State's total tourism employment. Average local tax receipts in 2001 were in excess of $40 million; state tax receipts generated were over $56 million.

The Conference and Visitors Bureau of Montgomery County, Maryland, Inc. (CVB) is a public-private non-profit membership organization dedicated to the promotion of travel and tourism to the County. The CVB serves as a subcontractor to the Montgomery County Department of Economic Development. On behalf of its membership, the Bureau participates in travel industry trade shows across the country, sponsors familiarization tours for tour operators, travel agents and travel writers, implements a $200,000 advertising campaign annually, and manages a Visitors Information Center minutes off the I-270 corridor. The Bureau was instrumental in helping to establish the Bethesda North Conference Center, an executive-level, state-of-the-art meeting facility located adjacent to the White Flint Metro station. This facility opened in November 2004.

County Employees

The County government employs approximately 8,272 full- and part-time employees and has 8,901 authorized positions. Approximately 6,154 employees are in bargaining unit positions and are represented by one of the three labor organizations that are certified under County law to bargain over the wages, fringe benefits, and working conditions of bargaining unit employees. The table below summarizes the current status of County labor agreements.

Table 4
County Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Service, Labor & Trades (MCGEO)	1,072	June 30, 2007
Office, Professional & Technical (MCGEO)	3,151	June 30, 2007
Police officers (FOP)	1,062	June 30, 2007
Firefighters/Rescuers (IAFF)	869	June 30, 2005

The County concluded bargaining with the Municipal and County Government Employees Organization, United Food and Commercial Workers Local 1994 (MCGEO), and the Fraternal Order of Police, Lodge #35, Inc. (FOP) for new agreements that took effect on July 1, 2004. This year the County commences bargaining with the Montgomery County Career Fire Fighters Association, IAFF Local 1664, to reach a new term agreement which will go into effect on July 1, 2005.

Public school teachers in the County are not County government employees, but are employed by the Montgomery County Board of Education (the "Board"). The Board has 28,005 authorized positions (including substitute teachers and other temporary employees), and employs approximately 20,987 full- and part-time employees. This latter number includes 189 non-represented employees and 20,798 employees in bargaining units. The Board bargains collectively with employees on matters concerning wages, hours and other conditions of employment. There are three bargaining units, which are comprised of teachers, professional/administrative and support/maintenance employees, as presented in the table below.

Table 5
Board of Education Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Teachers (MCEA)	11,634	June 30, 2007
Professional/Administrative (MCAASP)	602	June 30, 2006
Support Services (MCCSSE)	8,562	June 30, 2005

(The remainder of this page has been left blank intentionally.)

DEBT SUMMARY

Overview

The County Government, four of its agencies, and municipalities are authorized by State law and/or County Charter to issue debt to finance capital projects. Consistent with County fiscal policy, the County issues debt 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). 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 current and future citizens benefiting from the facilities. Due to various Federal, State, and local tax policies, interest rates are lower than in the private sector.

In addition to the issuance of general obligation or revenue bonds, the County initially finances the cost of long-term capital assets with short-term paper known as Bond Anticipation Notes (BANs)/Commercial Paper, which the County intends to retire with the proceeds of long-term bonds. Additionally, the County from time to time enters into other long-term obligations, such as long-term loans, which are classified as long-term notes payable.

The various components of the County's debt described above are categorized as either direct or overlapping. Direct debt is the total bonded debt of the County, and constitutes the direct obligations of the County that impact its taxpayers. Components of Montgomery County direct debt are its general obligation bonds, BANs/commercial paper, long-term notes payable, and revenue bonds issued by the County.

Overlapping debt includes all borrowings of other County agencies, incorporated municipalities, and special taxing or development districts, which may impact those County tax- or rate-payers who are residents of those municipalities or special districts. More broadly, overlapping debt can help reveal the degree to which the total economy is being asked to support long-term fixed commitments for governmental facilities.

Certain direct and overlapping debt is additionally classified as Self-Supporting Debt. Such obligations are issued for projects that produce sufficient revenues to retire the debt. The bonds are not supported by the taxing power of the governmental entity issuing them.

The County's Net Direct and Overlapping Debt is derived by subtracting Self-Supporting Debt from the Total Direct and Overlapping Debt.

A summary statement of direct and overlapping debt for Montgomery County is provided in Table 6 on the following page. For additional discussion of particular elements of the County's debt, see the sections that follow.

(The remainder of this page has been left blank intentionally.)

Table 6
Statement of Direct and Overlapping Debt
As of June 30, 2004

Direct Debt:		
General Obligation Bonds Outstanding	$1,329,778,054	
Short-Term BANs/Commercial Paper Outstanding	150,000,000	
Long-Term Notes Payable	1,270,924	
Revenue Bonds Outstanding	70,915,000	
Total Direct Debt		$1,551,963,978
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,007,358,466	
Housing Opportunities Commission	623,452,969	
Montgomery County Revenue Authority	74,975,000	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	46,988,885	
Kingsview Village Center Development District	2,345,000	
West Germantown Development District	15,835,000	
Towns, Cities and Villages within Montgomery County	73,168,222	
Total Overlapping Debt		1,844,123,542
Total Direct and Overlapping Debt		3,396,087,520
Less Self-Supporting Debt:		
County Government Revenue Bonds	70,915,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,007,358,466	
Housing Opportunities Commission	623,452,969	
Montgomery County Revenue Authority	74,975,000	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	13,353,885	
Total Self-Supporting Debt		(1,790,055,320)
Net Direct and Overlapping Debt		$1,606,032,200
Ratio of Debt to June 30, 2004 Assessed Valuation of (100% Assessment):		$93,226,806,877
Direct Debt		1.66%
Net Direct Debt *		1.59%
Direct and Overlapping Debt		3.64%
Net Direct and Overlapping Debt		1.72%
Ratio of Debt to June 30, 2004 Market Value of:		$102,055,016,189
Direct Debt		1.52%
Net Direct Debt *		1.45%
Direct and Overlapping Debt		3.33%
Net Direct and Overlapping Debt		1.57%

* Net Direct Debt of $1,481,048,978 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Debt Affordability

Once committed, debt service represents a major continuing claim on County resources that must be kept to affordable levels within the annual operating requirements of the County in order to avoid excessive pressures on operating budgets. To assure such affordable levels, the County's general obligation debt is subject to the following tests: 1) the self-imposed, but Charter-required, spending affordability guidelines and 2) the State Law-mandated Legal Debt Limit.

The County Council annually adopts spending affordability guidelines for the capital budget. The guidelines provide for the total amount of general obligation debt issued by the County and by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the subsequent two fiscal years and for the six-year Capital Improvements Program. Consideration of the guidelines is based on a number of economic and financial factors or criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgements about the County's capacity to issue debt and its ability to retire the debt over time.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing of funds and issuance of bonds up to a maximum of the sum of six percent of the assessed valuation of all real property and 15 percent of the assessed valuation of all personal property within the County. Article 25A, Section 5(P) provides that obligations having a maturity not in excess of 12 months shall not be subject to, or be included in, computing the County's legal debt limitation. However, the County includes its BANs/commercial paper in such calculation because it intends to repay such notes with the proceeds of long-term debt to be issued in the near future. The results of the County's legal debt limit computation are displayed in Table 7 below.

Table 7
Statement of Legal Debt Margin
As of June 30, 2004

June 30, 2004 Assessed Valuation – Real Property		$89,263,005,267
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		$ 5,355,780,316
June 30, 2004 Assessed Valuation – Personal Property		$3,963,801,610
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		$ 594,570,242
Total Assessed Valuation – Real and Personal Property		$93,226,806,877
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$5,950,350,558
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$1,329,778,054	
Short-Term BANs/Commercial Paper	150,000,000	
Long Term Notes Payable	1,270,924	
Net Direct Debt		1,481,048,978
Legal Debt Margin		$4,469,301,580
Net Direct Debt as a Percentage of Assessed Valuation		1.59%

Direct Debt

General Obligation Bonds

County general obligation bonds are secured by the full faith, credit and taxing powers of the County. Bonds are normally issued with a 20-year term, with five percent of the principal retired each year. This practice produces equal annual payments of principal over the life of the bond issue and declining annual payments of interest on the outstanding bonds. The Charter limits the term of any bond to 30 years.

Over the past three decades the composition of County general obligation debt has changed. As more general County bonding was shifted towards schools and roads, a related shift occurred away from general County facilities, parks, and mass transit. In addition, in recent years general obligation debt has not been issued to finance parking lot district or solid waste projects. Such projects are financed with revenue bonds or current revenues.

The General Obligation Bonded Debt Ratios displayed below measure the burden of the County's net direct debt, which consists primarily of general obligation bonds and outstanding BANs/commercial paper, and debt service payments on such. As with the calculation of the Legal Debt Limit, the County includes its BANs/commercial paper in these ratio calculations because it intends to repay such notes with the proceeds of general obligation debt to be issued in the near future. The ratios are as follows: 1) net direct debt as a percentage of full (market) value of taxable property; 2) debt service on outstanding general obligation bonds as a percentage of General Fund expenditures and transfers out; 3) net direct debt per capita; 4) net direct debt per capita as a percentage of per capita income; and 5) rate of replacement of general obligation bond principal (payout ratio) in ten years. The results of these indicators are displayed in Table 8 below.

Table 8
General Obligation Bonded Debt Ratios
1995 – 2004

Fiscal Year	Net Direct Debt to Market Value	GO Bond Debt Service to General Fund Expenditures	Net Direct Debt Per Capita*	Net Direct Debt Per Capita to Per Capita Income**	GO Bond Payout Ratio
1995	1.34%	9.96%	$ 1,159	3.02%	70.00%
1996	1.62	10.04	1,384	3.50	70.52
1997	1.47	10.22	1,277	3.14	71.39
1998	1.66	9.71	1,433	3.32	72.58
1999	1.56	9.66	1,374	3.02	72.33
2000	1.64	9.17	1,473	3.11	72.06
2001	1.57	8.72	1,473	2.97	71.83
2002	1.55	8.32	1,516	3.03	71.32
2003	1.45	8.47	1,541	2.90	71.10
2004	1.45	7.98	1,591	2.88	70.94

* Amounts restated due to restatement of population data.
** Figures restated due to restatement of Actual Income in May 2001.

(The remainder of this page has been left blank intentionally.)

The County's general obligation indebtedness by issue is presented in Table 9. Annual debt service payments for the County's debt is displayed in Table 10. Table 11 sets forth the amount of general obligation bonds authorized to be issued by the County as of June 30, 2004.

Table 9
General Obligation Debt of the County
As of June 30, 2004

Issue	Dated Date	Original Issue Size	Original Interest Rates	TIC*	Maturity	Principal Outstanding June 30, 2004
GO Bonds	05/01/85	$ 65,000,000	7.60-8.60%	8.2205%	1986-05	$ 3,250,000
GO Bonds	04/01/86	50,000,000	5.80-6.30	6.0956	1987-06	5,000,000
GO Refunding Bonds	07/01/92	273,038,054	2.75-5.80	5.7431	1993-10	122,063,054
GO Bonds	10/01/93	100,000,000	4.40-4.90	4.6899	1994-13	5,000,000
GO Bonds	10/01/94	100,000,000	5.20-6.125	5.7958	1995-08	10,000,000
GO Bonds	03/15/96	120,000,000	5.10-5.50	5.2946	1997-08	18,000,000
GO Bonds	04/15/97	115,000,000	5.00-5.375	5.3226	1998-17	40,250,000
GO Refunding Bonds	01/01/98	69,510,000	3.90-5.25	4.6400	2003-15	68,735,000
GO Bonds	04/01/98	115,000,000	4.875	4.7607	1999-18	69,000,000
GO Bonds	04/01/99	120,000,000	4.00-5.00	4.4764	2000-19	84,000,000
GO Bonds	01/01/00	130,000,000	5.00-6.00	5.4853	2001-13	52,000,000
GO Bonds	02/01/01	140,000,000	4.00-5.00	4.5447	2002-21	119,000,000
GO Refunding Bonds	11/15/01	146,375,000	3.60-5.25	4.5107	2003-19	144,530,000
GO Bonds	02/01/02	160,000,000	3.50-5.00	4.4619	2003-22	144,000,000
GO Refunding Bonds	11/15/02	93,595,000	2.75-5.25	3.2799	2005-13	93,595,000
GO Bonds	05/01/03	155,000,000	1.50-4.00	3.6304	2004-23	147,250,000
GO Refunding Bonds	05/01/03	49,505,000	2.00-5.00	2.2900	2004-11	49,505,000
GO Bonds	03/15/04	154,600,000	3.00-5.00	3.8290	2005-24	154,600,000
Total						$1,329,778,054

* True Interest Cost.

(The remainder of this page has been left blank intentionally.)

Table 10
Summary of General Obligation Bond
Debt Service Requirements by Fiscal Year
As of June 30, 2004

Fiscal	General Obligation Bonds		
Year	Principal	Interest	Total
2005	$ 114,615,000	$ 61,698,094	$ 176,313,094
2006	111,320,000	55,941,823	167,261,823
2007	111,210,000	50,706,178	161,916,178
2008	110,940,000	45,424,140	156,364,140
2009	91,131,683	52,869,557	144,001,240
2010	88,062,086	44,547,317	132,609,403
2011	85,104,285	35,184,980	120,289,265
2012	80,610,000	28,612,409	109,222,409
2013	77,195,000	24,714,933	101,909,933
2014	71,215,000	21,219,561	92,434,561
2015	66,150,000	17,916,655	84,066,655
2016	60,925,000	14,884,581	75,809,581
2017	54,750,000	12,063,688	66,813,688
2018	48,980,000	9,390,413	58,370,413
2019	43,210,000	7,067,725	50,277,725
2020	37,190,000	5,045,725	42,235,725
2021	30,480,000	3,461,737	33,941,737
2022	23,480,000	2,053,887	25,533,887
2023	15,480,000	976,712	16,456,712
2024	7,730,000	338,187	8,068,187
Total	$1,329,778,054	$494,118,302	$1,823,896,356

(The remainder of this page has been left blank intentionally.)

Table 11
General Obligation Bonds Authorized – Unissued
As of June 30, 2004

Purpose	Chapter	Act	Amount	Amount Unissued
General County, Parks, and	22	2000	$ 78,300,000	$ 62,090,000
Consolidated Fire Tax District	17	2001	35,200,000	35,200,000
	21	2002	4,700,000	4,700,000
	17	2003	63,600,000	63,600,000
			181,800,000	165,590,000
Road & Storm Drainage	22	2000	77,600,000	44,910,000
	17	2001	10,630,000	10,630,000
	21	2002	34,800,000	34,800,000
	17	2003	1,700,000	1,700,000
			124,730,000	92,040,000
Public Schools and	17	2001	159,755,000	3,268,000
Community College	21	2002	104,800,000	104,800,000
	17	2003	52,400,000	52,400,000
			316,955,000	160,468,000
Mass Transit	22	2000	1,400,000	105,000
	17	2001	6,700,000	6,700,000
	21	2002	1,600,000	1,600,000
	17	2003	900,000	900,000
			10,600,000	9,305,000
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
			5,630,000	5,570,000
Parking Districts:				
Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
			4,165,000	3,265,000
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			9,150,000	4,865,000
Total Parking Districts			13,315,000	8,130,000
Total General Obligation Bonds			$653,030,000	$441,103,000

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1984, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Current Revenue Substitution for General Obligation Bonds (PAYGO)

The County follows a practice of budgeting significant current revenue substitution for general obligation bonds over the six-year Capital Improvements Program. This "pay-as-you-go" approach to funding debt-eligible capital improvement projects, known as PAYGO, helps manage the County's debt burden and retain funding flexibility. The significant amounts of PAYGO substitutions over the past nine years, and planned for substitution over the six years beginning FY05, are displayed below.

Table 12
PAYGO Substitutions
(Actual FY96-04, Budgeted FY05-10)

Fiscal Year	PAYGO Amount	Fiscal Year	PAYGO Amount
1996	$ 7,000,000	2004	$ 6,240,000
1997	3,925,000	2005	52,250,000
1998	13,000,000	2006	57,917,000
1999	13,400,000	2007	48,473,000
2000	24,600,000	2008	44,220,000
2001	40,705,000	2009	42,931,000
2002	40,155,000	2010	45,001,000
2003	17,374,000		

Short-Term Bond Anticipation Notes/Commercial Paper

The County utilizes Bond Anticipation Notes (BANs)/commercial paper for short-term capital financing of capital expenditures with the expectation that the principal amount will be refinanced with the proceeds of long-term general obligation bonds. Interest costs incurred are usually at lower rates than with long-term financing. The County has BANs/commercial paper authorized, issued, and outstanding as financing sources for capital construction and improvements. BANs/commercial paper are issued at varying maturities to a maximum of 270 days, under a note program that matures on June 30, 2005. The County reissues the notes upon maturity until they are refinanced with long-term bonds. Changes in BANs/commercial paper during the period July 1, 2003 through June 30, 2004 are presented in Table 13 below.

Table 13
Bond Anticipation Notes Outstanding
As of June 30, 2004

Issue	Balance July 1, 2003	BANs Issued	BANs Retired	Balance June 30, 2004
BAN Series 2002-B	$ 45,000,000	$ --	$ 45,000,000	$ --
BAN Series 2002-C	80,000,000	--	80,000,000	--
BAN Series 2002-D		75,000,000	40,000,000	35,000,000
BAN Series 2002-E	--	115,000,000	--	115,000,000
Total	$125,000,000	$190,000,000	$165,000,000	$150,000,000

Long-Term Notes

In September 1998, the County entered into a $1,800,000 long-term loan agreement with the Maryland Industrial and Commercial Redevelopment Fund (MICRF) pursuant to the provisions of Sections 5-501 through 5-507 of Article 83A of the Annotated Code of Maryland. The loan was approved by the Maryland State Department of Business and Economic Development. In accordance with the terms of the loan, the proceeds of the loan were reloaned to a private corporation, for purposes of relocation to and renovation of facilities in the County. As a result of certain conditions having been met, $150,000 of the loan was converted to a State grant. Although it is expected that the loan will be repaid by payments made by the private user, the loan is a full faith and credit obligation of the County.

Revenue Bonds

County revenue bonds are authorized by the County to finance specific projects such as parking garages and solid waste facilities, with debt service to be paid from pledged revenues received in connection with the projects. Proceeds from revenue bonds may be applied only to the costs of projects for which they are authorized. They are considered separate from general obligation debt and do not constitute a pledge of the full faith and credit or unlimited taxing power of the County.

County revenue bonds are used in the Bethesda and Silver Spring Parking Districts, supported by parking fees and fines, together with parking district property taxes. County revenue bonds were also issued for County Solid Waste Management facilities, supported with the revenues of the Solid Waste Disposal System. County revenue bond indebtedness by issue is presented in Table 14. Annual debt service payments for the County's revenue bond debt are displayed in Table 15. Table 16 sets forth the amount of revenue bonds authorized to be issued by the County as of June 30, 2004.

Table 14
Revenue Bond Debt of the County
As of June 30, 2004

Issue	Dated Date	Original Issue Size	Original Interest Rates	TIC*	Maturity	Principal Outstanding June 30, 2004
Parking Refunding Revenue Bonds (Bethesda PLD)	05/01/02	$ 14,560,000	3.00%-5.00%	3.1941%	2003-09	$ 10,230,000
Parking Refunding Revenue Bonds (Silver Spring PLD)	05/01/02	12,130,000	3.00%-5.00%	3.1398%	2003-09	8,160,000
Parking Revenue Bonds (Bethesda PLD)	06/01/02	26,000,000	3.00%-4.75%	4.4231%	2003-21	24,005,000
Solid Waste Refunding Revenue Bonds	04/03/03	31,075,000	3.00%-5.00%	3.5982%	2004-13	28,520,000
Total						$ 70,915,000

* True Interest Cost.

Table 15
Summary of Revenue Bond Debt Service Requirements by Fiscal Year
As of June 30, 2004

	Revenue Bonds		
Fiscal Year	Principal	Interest	Total
2005	$ 8,260,000	$ 2,871,541	$ 11,131,541
2006	8,530,000	2,618,691	11,148,691
2007	8,820,000	2,346,165	11,166,165
2008	6,535,000	1,958,415	8,493,415
2009	6,810,000	1,713,365	8,523,365
2010	4,620,000	1,410,478	6,030,478
2011	4,800,000	1,234,228	6,034,228
2012	4,995,000	1,042,228	6,037,228
2013	4,045,000	805,527	4,850,527
2014	1,425,000	615,517	2,040,517
2015	1,490,000	554,955	2,044,955
2016	1,560,000	489,767	2,049,767
2017	1,635,000	421,127	2,056,127
2018	1,715,000	347,552	2,062,552
2019	1,800,000	268,662	2,068,662
2020	1,890,000	184,062	2,074,062
2021	1,985,000	94,287	2,079,287
Total	$ 70,915,000	$ 18,976,567	$ 89,891,567

Table 16
Revenue Bonds Authorized - Unissued
As of June 30, 2004

Purpose	Resolution No.	Year	Amount	Amount Unissued
Parking Lot Districts	11-1383	1989	$ 51,163,000	$ 42,088,000
	14-921	2001	35,000,000	9,000,000
			86,163,000	51,088,000
Solid Waste Disposal	12-1010	1993	56,935,000	6,255,000
Total Revenue Bonds			$143,098,000	$ 57,343,000

Overlapping Debt

In addition to the direct debt described above, certain portions of the debt of other governmental entities in the County are payable in whole or in part by the taxpayers of the County. The debt includes general obligation bonds, revenue bonds, mortgages payable, notes payable, BANs/commercial paper, certificates of participation, and bank loans.

Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC) issues general construction bonds to finance construction of small diameter water distribution and sewage collection lines, and required support facilities in Montgomery and Prince George's Counties. Generally, these are considered general obligation bonds because they are payable from unlimited ad valorem taxes upon all the assessable property in the WSSC district. They are actually paid through assessments on properties being provided service and are considered to be overlapping debt rather than direct debt of the County. WSSC Water Supply and Sewage Disposal Bonds, which finance major system improvements, including large diameter water distribution and sewage collection lines, are paid from non-tax sources including user charges collected through water and sewer rates, which also cover all system operating costs. They are backed by unlimited ad valorem taxes upon all the assessable property within the WSSC district in addition to mandated rates, fees, and charges sufficient to cover debt service. Pursuant to Section 4-101 of Article 29 of the Annotated Code of Maryland (1997 Replacement Volume and 2000 Cumulative Supplement), the County must guarantee payment of principal and interest on WSSC bonds, unless the WSSC waives such guarantee requirement in accordance with Section 4-103 of Article 29. WSSC waived such guarantee requirement with respect to all outstanding WSSC bonds.

Housing Opportunities Commission

The Montgomery County Housing Opportunities Commission (HOC) issues revenue bonds for its Multi-Family Mortgage Purchase Program and its Single-Family Mortgage Purchase Program which are paid through mortgages and rents. A portion of this revenue bond debt is guaranteed by Montgomery County pursuant to Section 2-103 of Article 44A of the Annotated Code of Maryland. The County may by local law provide its full faith and credit as guarantee of bonds issued by HOC in principal amount not exceeding $50,000,000. Section 20-32 of the Montgomery County Code provides the method by which the County implemented the guarantee.

Montgomery County Revenue Authority

The Montgomery County Revenue Authority (MCRA) has authority to issue revenue bonds and to otherwise finance projects through notes and mortgages with land and improvements serving as collateral. These are paid through revenues of MCRA's several enterprises, which include golf courses and the Montgomery County Airpark. The County also uses MCRA as a conduit for alternative capital project funding arrangements. These include financing for several County aquatic facilities and the Montgomery County Conference Center. For these projects, the MCRA issues the bonds and the debt service is paid through revenues from long-term lease agreements with the County. See "County Facility Lease Obligations" below.

Maryland-National Capital Park and Planning Commission

The Maryland-National Capital Park and Planning Commission (M-NCPPC) issues general obligation debt for the acquisition and development of local parks and certain special parks and advance land acquisition, with debt limited to that supportable within mandatory tax rates. The Commission also issues revenue bonds funded by its enterprise operations. Pursuant to Section 6-101 of Article 28 of the Annotated Code of Maryland (1997 Replacement Volume and 2000 Supplement), the County must guarantee payment of principal and interest on the debt of M-NCPPC that is not self-supporting.

Towns, Cities, and Villages

The towns of Brookeville, Poolesville, and Washington Grove, the cities of Rockville and Takoma Park, and the Village of Chevy Chase are located wholly within Montgomery County and issued long-term obligations to fund various public amenities such as road and sewer improvements.

Special Taxing Districts

The County created three development districts: Kingsview Village Center, West Germantown, and Clarksburg Town Center. These development districts were created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The creation of these 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 with high priority for new development or redevelopment.

Pursuant to Chapter 14, special taxes and/or special assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective district. Any bond issued under Chapter 14 is not an indebtedness of the County within the meaning of Section 312 of the Charter. Additionally, any bond issued must not pledge the full faith and credit of the County, and must state that the full faith and credit is not pledged to pay its principal, interest, or premium, if any. Any bonds issued are not considered liabilities of the County and are not reported in the County's financial statements.

In December 1999, the County issued $2.41 million in special obligation bonds for the Kingsview Village Center Development District. Special taxes and assessments were levied beginning in FY01 to repay this debt. In April 2002, the County issued two series of special obligation bonds for the West Germantown Development District. The County issued $11,600,000 of Senior Series 2002A bonds and $4,315,000 of Junior Series 2002B bonds to finance the construction of infrastructure in the development district. Special taxes and assessments were levied beginning in FY03 to repay this debt. Bonds have not yet been issued for the Clarksburg Town Center development district.

Pursuant to Section 2.07 (g) of the West Germantown bond Indenture, upon the satisfaction of certain assessed value requirements which were met, the holders of the Junior Series 2002B bonds requested that the County issue Additional Bonds in exchange for the Junior Series 2002B bonds. The Additional Bonds will be on a parity with the Series 2002A bonds (i.e., they will be senior lien bonds) and will otherwise have the same terms and conditions as the Series 2002B bonds.

The County was petitioned by property owners to form two additional development districts in the Clarksburg area, Clarksburg Village and Clarksburg Skylark. These districts are in the evaluation phase.

(The remainder of this page has been left blank intentionally.)

County Facility Lease Obligations

The County leases building and office facilities and other equipment under non-cancelable operating leases. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated. Total costs for operating leases were approximately $10,265,000 for FY04. Long-term leases with the Maryland Economic Development Corporation (MEDCO) and the Montgomery County Revenue Authority are subject to annual appropriations, but are related to the debt service on bonds that MEDCO and the Revenue Authority issued on the County's behalf.

Following is a listing of significant lease agreements for FY05:

Payee	Location	Use	Total Rent For FY05
Maryland Economic Development Corp.	921 Wayne Avenue, Silver Spring	Parking Garage	$3,739,600
Eldrige, Inc.	255 Rockville Pike, Rockville	Various Agencies	3,214,500
Montgomery County Revenue Authority	Indoor Swim Centers	Recreation	3,153,111
Maryland Economic Development Corp.	801 Ellsworth Drive, Silver Spring	Parking Garage	2,517,326
Montgomery County Revenue Authority	5701 Marinelli Drive, Rockville	Conference Center	1,904,509
BP Gude LLC	7300 Calhoun Place, Derwood	Juvenile Assessment Center	1,161,270
Argo Orchard Ridge, LC	101 Orchard Ridge Dr., Gaithersburg	DPWT Operations	852,000
Alexandria Real Estate	1300 Quince Orchard Blvd., Gaithersburg	Emergency Communications Center	848,110
Montgomery County Revenue Authority	1301 Piccard Drive, Rockville	Health & Human Services	634,520
Wellstone Corp.	1335 Piccard Drive, Rockville	Health Center	542,900
The Gudelsky Corp.	8630 Fenton Street, Silver Spring	Health Center	440,120
Williams Knolls Joint Venture	12500 Ardennes Avenue, Rockville	Corrections	394,150
WWG 401 North Washington	401 N. Washington Street, Rockville	Commission for Women	367,830
McShea Gaither Road Ltd. Partnership	9125 Gaither Road, Rockville	Police/S.O.D.	294,400
Shady Grove Associates II	9210 Corporate Boulevard, Rockville	Police/S.I.D.	254,850
Washington Real Estate Investment Trust	51 Monroe Street, Rockville	Various Agencies	248,500
Betty B. Casey Trust	8536 Anniversary Circle, Rockville	Records Center/Warehouse	240,000
Washington Real Estate Investment Trust	600 East Jefferson St., Rockville	Community Use of Public Facilities	227,420
SJS Realty Management, Inc.	18749 Frederick Road, Gaithersburg	Police/District 6	212,270
Investment Properties, Inc.	11 N. Washington St., Rockville	Board of Investment Trustees	182,000
Milford Mill Limited Partnership	19627 Fisher Avenue, Poolesville	Poolesville Library	176,894
Pavilion Partners, Inc.	199 E. Montgomery Ave., Rockville	Sheriff's Office	156,000
Scott Group, Inc.	110 N. Washington Street, Rockville	Various Agencies	136,640
Robert Sugar & Helen Rea	8435 Georgia Ave., Silver Spring	Regional Services Center	133,200
Douglas Development	8715 Colesville Rd., Silver Spring	Police/Silver Spring Station	130,250
Spring Street Assoc. Limited Partnership	1109 Spring Street, Silver Spring	Various Agencies	126,896
Halcyon Associates	8663 Grovemont Circle, Gaithersburg	Fire & Rescue/Bomb Squad	117,660

Other Operating Payment Agreements

Lease Revenue Bonds – Metrorail Garage Projects

The County entered into a Trust Agreement dated June 1, 2002 with Wachovia Bank, N.A. related to the issuance of $37,880,000 in Lease Revenue Bonds to finance the costs of parking structures and related facilities at the Shady Grove Metrorail Station and the Grosvenor Metrorail Station in Montgomery County. The County leased the garages to the Washington Metropolitan Area Transit Authority ("WMATA"), an interstate compact agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia.

Pursuant to the Trust Agreement, and a First Supplemental Trust Agreement dated September 1, 2004, additional bonds in the amount of $4,745,000 were issued by the County on September 28, 2004 to complete construction of the Shady Grove and Grosvenor parking structures and related facilities.

The Bonds are limited obligations of the County payable solely from and secured by a pledge of (1) the revenues and receipts to be derived from the lease of the garages to WMATA and (2) certain funds and accounts established pursuant to the Trust Agreement, including a debt service reserve. The County covenanted to budget, appropriate and pay to the Trustee for deposit in the debt service reserve, at any time in any fiscal year when the amount to the credit thereof is less than required by the Trust Agreement, an amount equal to the deficiency; however, the obligation of the County to make any such payment in any fiscal year is contingent upon the appropriation for such fiscal year by the Montgomery County Council of funds from which such payment can be made. The obligation of the County under the agreement does not constitute a pledge of the full faith and credit or of the taxing powers of the County.

Certificates of Participation – Equipment Acquisition Program

The County entered into a conditional purchase agreement dated June 1, 2001 with Wachovia Bank (formerly First Union National Bank of Maryland) for the purpose of borrowing $54,660,000 to purchase radio and mobile data equipment for use in the County's public safety programs and buses for use in the County's Ride-On Bus System. The County's obligation to make purchase installments under the agreement in any fiscal year is contingent upon the County Council making an appropriation for such purpose in such year. In the event that the Council does not appropriate moneys to make such purchase installments in any fiscal year, the County is required to return the equipment to the seller without any additional financial liability. The obligation of the County under the agreement does not constitute a pledge of the full faith and credit or of the taxing powers of the County.

State Assumption - Certain Mass Transit Capital Costs

The regional Metro Rapid Rail System, operated by the Washington Metropolitan Area Transit Authority (WMATA) and recently completed, is a 106-mile system of subway, surface and elevated tracks embracing Washington, D.C. and the Maryland and Virginia suburbs. The system includes 18.4 miles and 12 stations within Montgomery County, all of which are now in service.

As a result of a succession of State legislative actions between 1972 and 1998, all County obligations for allocable costs of WMATA's capital construction, debt service, and capital equipment replacement programs are now met by the State of Maryland, relieving the County of all such obligations.

(The remainder of this page has been left blank intentionally.)

FINANCIAL INFORMATION

Accounting System

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Montgomery County has received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR) more times than any other county in the nation – thirty-four times – as early as 1951 and consecutively for thirty-two years, since 1972. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The County believes the FY04 CAFR continues to meet the Certificate of Achievement Programs requirements and has submitted it to the GFOA to determine its eligibility for another certificate.

Reporting Entity

The County reporting entity is determined by criteria set forth in promulgations of the Governmental Accounting Standards Board. The reporting entity includes the fiscal activities of Montgomery County Government, as the primary government, and Montgomery County Public Schools (MCPS), Montgomery Community College ("the College"), Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, and the Bethesda Urban Partnership, Inc., as component units. Not included within the reporting entity are the Montgomery County portion of Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, Metropolitan Washington Council of Governments, and the Northeast Maryland Waste Disposal Authority. These entities are considered joint ventures and disclosure of the County's participation in these joint ventures is presented as a footnote to the County's financial statements included in its Basic Financial Statements (refer to Appendix B for statements as of June 30, 2004).

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and certain fiduciary fund (pension and other employee benefit trusts, investment trust, and private-purpose trusts) financial statements. The agency funds also use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets and related depreciation are also recorded in these statements.

Governmental fund (i.e., General, Debt Service, Capital Projects, Special Revenue, and Permanent) financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment has matured and is due. Similarly, expenditures related to claims and judgments, and compensated absences, are recorded only to the extent that they are expected to be liquidated with expendable available financial resources. Also, capital assets and related depreciation and long-term liabilities are not recorded in these statements.

ANNUAL BUDGETS

Operating Budget and Tax Rates

On May 20, 2004 the County Council approved the FY05 operating budget comprising the County Government, MCPS, the College, and M-NCPPC aggregating $2.843 billion. This budgetary level represents an increase of 8.1 percent over the adopted budget for FY04.

The FY05 operating budget provides the greatest share (52.2 percent) of total resources to Montgomery County Public Schools, including funding necessary for an estimated 1,289 new students in grades K-12. Funds for Montgomery College are included for an increase greater than enrollment growth. In addition, public safety and criminal justice, health and human services, public works, and transit are funded for important improvements in FY05, as well as compensation improvements.

The approved FY05 budget provided for an undesignated surplus of $65.3 million in the General Fund and $80.8 million across all tax supported funds. For FY05, the estimated effective property tax rate for the County declined to $1.059 per $100 of assessed valuation from the actual effective property tax rate of $1.073 per $100 of assessed valuation in FY04.

Capital Budget/Capital Improvements Program

The County Council approved the FY05 Capital Budget and the FY05-10 Capital Improvements Program for the County government and the required agencies, except for WSSC, aggregating $2.332 billion for FY05-10. This approved program provided for County bond funding aggregating $1.332 billion over the six-year period FY05-10. The Council approved a Capital Improvements Program for WSSC totaling $510.3 million for FY05-10.

Legal Framework for Budgeting

As required by the County Charter, the County Executive submits to the County Council, not later than January 15, a comprehensive six-year Capital Improvements Program (CIP) in each even numbered year, and a Capital Budget each year. In addition, the County Executive, not later than March 15 of each year, submits an annual Operating Budget, a six-year Public Services Program (PSP), and Fiscal Policy.

The Capital Improvements Program includes a statement of the objectives of capital programs and the relationships of capital programs to the County's long-range development plans; recommends capital projects and a construction schedule; and provides an estimate of costs, a statement of anticipated revenue sources, and an estimate of the impact of the program on County revenues and the operating budget. The Capital Improvements Program, to the extent authorized by law, includes all capital projects and programs of all agencies for which the County sets tax rates or approves budgets or programs.

The fiscal program shows projections of revenues and expenditures for all functions, recommends revenue and expenditure policies for the program, and analyzes the impact of tax and expenditure patterns on public programs and the economy of the County.

As part of the six-year CIP and PSP programs, the County Executive includes the proposed capital and operating budgets containing recommended levels of expenditures and sources of revenue for the ensuing fiscal year. In addition, a summary is submitted containing an analysis of the fiscal implications for the County of all available budgets of all agencies for which the County Council sets tax rates, makes levies, and approves programs or budgets. These other agencies include the Montgomery County Public Schools, Montgomery College, the Maryland-National Capital Park and Planning Commission, the Housing Opportunities Commission of Montgomery County, the Montgomery County Revenue Authority, the Washington Suburban Sanitary Commission (a bi-county agency), the Washington Suburban Transit Commission (a bi-county agency), and the 19 independent Fire and Rescue Corporations.

The County Council must hold public hearings on the proposed budgets and six-year programs commencing not earlier than 21 days following their receipt. The County Council may add to, delete from, increase or decrease any appropriation item in the operating or capital budget. The Council also approves the budget, as amended, and appropriates the funds not later than June 1 of the year in which it is submitted. By June 30th of each year the County Council makes the tax levies deemed necessary to finance the budgets for the ensuing fiscal year beginning July 1. Pursuant to a Charter amendment adopted in the November 1990 general election, the County Council may not levy an ad valorem tax on real property to finance the budgets that will produce total revenue that exceeds the total revenue produced by the tax on real property in the preceding fiscal year plus a percentage of the previous year's real property tax revenues that equals any increase in the Consumer Price Index unless approved by the affirmative vote of seven Council members. This limit does not apply to revenue from 1) newly constructed property, 2) newly rezoned property, 3) property that, because of a change in State law, is assessed differently than it was assessed in the previous tax year, 4) property that has undergone a change in use, and 5) any development district tax used to fund capital improvement projects.

The Charter requires that County capital improvement projects which are estimated to cost in excess of an amount established by law, or which the County Council determines to possess unusual characteristics or to be of sufficient public importance, must be individually authorized by local law, which would be subject to referendum upon timely petition of five percent of the County's registered voters. The cost criterion for projects in the FY05 Capital Budget and the amended FY05-10 CIP is $11,150,000. The Charter also requires approval of the aggregate operating budget by the affirmative vote of six Council members, as opposed to a simple majority, when it exceeds the budget for the preceding year by a percentage which is greater than the percentage increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore combined metropolitan statistical area (CMSA) for the 12 months preceding December 1 of each year, as published by the U.S. Department of Labor. In addition, a Charter amendment adopted at the November 1990 general election requires the County Council to annually adopt spending affordability guidelines for the capital and operating budgets, including guidelines for the aggregate capital and operating budgets. Any aggregate capital budget or aggregate operating budget that exceeds the guidelines then in effect requires the affirmative vote of seven of the nine council members for approval.

Major Sources of Revenue

The local property tax remains the largest revenue source when measured by all Funds, and is the second largest source of revenue when measured by General Fund revenues. For FY04, the General County property tax levies were based on full cash value for all assessable property in the County at the rate of $1.878 per $100 of assessed personal property, and $0.751 per $100 of assessed real property valuation. The levies generated $737.0 million, or approximately 37.9 percent, of the total County General Fund operating requirements – down from a 41.5 percent share seven years ago.

For FY04, the largest revenue source in the General Fund was the local income tax. This tax, which is levied by the County Council and administered by the State, generated $869.7 million in FY04, or 44.8 percent of the total County General Fund operating revenue requirements – up from a 41.2 percent share seven years ago, but down from the 46.3 percent share in FY03. The decrease in share from last year was due to weak growth in payroll employment and a dramatic increase in transfer and recordation taxes.

Status of the General Fund

Montgomery County concluded the fiscal year ending June 30, 2004, with an unreserved undesignated balance for the General Fund of $26.7 million. The County's governmental funds reported combined ending fund balances of $445.6 million, an increase of $65.3 million over the prior year's ending fund balances. The Revenue Stabilization Fund (RSF), including related investment income, remained at $87.2 million at the close of FY03. Following the mandatory contribution requirement, half of actual General Fund receipts from the (i) income tax, (ii) transfer tax, (iii) recordation tax, and (iv) investment income above the budget estimate must be transferred to the RSF. With the exception of the receipts from investment income, receipts from the income tax and recordation and transfer taxes were higher than expected. Since actual revenues exceeded estimated revenues in FY04, there was a mandatory contribution made to the RSF of $8.8 million. Therefore, the amount in the fund increased to $95.9 million at the end of FY04.

General Fund Revenues

Actual revenues for the General Fund totaled $2,099.8 million and were 4.9 percent above the budget estimate for the fiscal year and 13.4 percent above actual revenues for FY03. The three largest contributors to the positive variance between the budget estimate and actual revenues were the recordation tax ($48.3 million), followed by the income tax ($32 million), and the transfer tax ($29.7 million). The war on terror and the various terrorism alerts in the Washington metropolitan region had an effect on the region's and County's hospitality industry during FY04. While actual revenue from the County's hotel-motel room tax was 6.7 percent above actual revenue during FY03, it was 6 percent lower than the budget estimate. During FY04, the County Council adopted rate increases to the fuel and energy taxes and the telephone taxes. Fuel and energy tax rates were increased threefold, and the Council imposed a $2.00 per month tax rate on cellular telephones while doubling the rate on landlines. While low interest rates, particularly low mortgage rates, increased the transfer and recordation tax receipts, they had a negative effect on revenues from the County's investments. Investment income was $8 million below the budget estimate. Other non-tax sources of revenue came in below budget estimates. Such sources included licenses and permits (-0.3 percent); charges for services (-12.9 percent), which was attributed to a drop in public safety user fees; fines and forfeitures (-61 percent), which was attributed to a significant decline in anticipated fines from photo red light operations; and miscellaneous sources (-3.1 percent). Intergovernmental revenues were 4.4 percent above the budget estimate. This increase was attributed to the federal reimbursements, primarily for Federal Financial Participation, which came in 25.4 percent above the budget estimate, while state aid and reimbursements were a very modest 0.1 percent below the budget estimate.

The largest revenue source for the General Fund is the County income tax. Revenues from the income tax were $869.7 million and represented 44.8 percent of total tax revenues for the General Fund and 41.4 percent of total revenues in FY04. The income tax became the majority source of tax revenues in the General Fund when it surpassed the property tax in size in FY99. The dramatic shift in the reliance on the income tax as a major source of revenue can be attributed to two factors: the expanding employment base in the County during the 1999-2001 period and growth in capital gains during that same period. Even with a sluggish stock market and minimal growth in the County's payroll employment, revenues increased 10.4 percent in FY04 compared to a 9.1 percent decline in FY03. There are a number of factors that contributed to the increase in income tax revenues. The County Council increased the local income tax rate from 2.95% to 3.20%. The Maryland State Comptroller (Comptroller) implemented three administrative changes to the distribution of revenue collections to the County. The first such change was the procedure expediting the submittal of withholding by employers. Prior to the change, the Comptroller received employers' withholdings on the fifteenth day of the subsequent month. The new procedure requires employers to submit withholdings within three business days. As a result, the Comptroller accelerated the August distribution to the month of July, and therefore, due to the County's 30 day revenue availability period for the General Fund, the distribution was included in FY04 instead of the subsequent fiscal year. The second administrative change proposed by the state accelerated 50 percent of three years of unclaimed withholdings (tax years 2001, 2002, and 2003). The third and final administrative change modified the unallocated percentage with a three-percentage point reduction, resulting in an increase in quarterly distributions of withholdings and estimated payments. Total quarterly distributions for withholding and estimated payments increased 10.2 percent (FY04) compared to -0.1 percent (FY03), +1.1 percent (FY02), +6.1 percent (FY01), +8.0 percent (FY00), +10.6 percent (FY99), and +10.3 percent (FY98).

Despite the increase in the tax rate and the administrative changes to the distribution formulae by the Comptroller, underlying economic factors such as capital gains and employment were a drag on income tax receipts. While total payroll wages increased in nominal terms during calendar year (CY) 2003, the latest date from which data are available, wages did not increase in real dollars, i.e., adjusted for inflation. During CY03, the total number of payroll jobs was 449,909. When compared to CY02, the number of payroll jobs increased slightly, by less than 1,800 jobs, or 0.4 percent. The minimal growth is attributed to a slight decline in the number of jobs in the local government sector and in goods-producing industries. However, the lack of growth in those sectors was offset by a gain in service-providing sectors, particularly in the professional and business and financial services sectors.

Property tax collections in the General Fund amounted to $737 million in FY04, which were $7.3 million higher than the budget estimate and 6 percent above actual revenues in FY03. Property taxes, excluding penalty and interest, were $734.7 million in FY04 – an increase of 6.3 percent over last year. However, collections from penalty and interest were $2.3 million, a decrease of 44.3 percent compared to FY03 actual revenues, and below the recent four-year annual average of approximately $3.7 million.

The increase in property tax collections was the result of an 8.3 percent increase in the assessable base for real property from FY03 to FY04. This was the largest increase in over eight years. New construction, which added $1.7 billion to the base in FY04, was 1.1 percent greater than FY03. The dramatic increase in the reassessment rate from 6.4 percent to 36.3 percent for cycle three reassessments (based on triennial reassessment cycles by geographic area performed by the State Department of Assessments and Taxation) of the County's real property, which followed increases in the rate from 1.1 percent to 13.5 percent for cycle one reassessments in FY02 and from 2.7 percent to 21.8 percent for cycle two reassessments, were the primary reasons for the increase in property tax collections. Because of the dramatic increases in the reassessment rates, such increases added $5.2 billion to the real property tax base. As a result, the 6.1 percent increase in tax-supported property tax revenues in FY04 was one of the highest increases during the past eight fiscal years.

After the decline in FY98, assessments of personal property increased 2.8 percent in FY99, 3.2 percent in FY00, 5.1 percent in FY01, 3.0 percent in FY02, and 0.6 percent in FY03, but declined 6.2 percent in FY04 primarily due to a decline in corporate personal property, reflecting the moderate economic growth in the County. Assessments of real property continued their growth with an increase of 6.2 percent in FY03 and 8.3 percent in FY04. As a result of continued growth in real property, the total assessable base grew 5.9 percent in FY03 and 7.6 percent in FY04.

The third major revenue source in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources were $219.1 million, which was 55.2 percent above the budget estimate and 29.2 percent above FY03. Collections from transfer and recordation taxes continue to reach record highs. The amount collected from these taxes increased from $83.0 million in FY98 to $219 million in FY04, nearly a threefold increase.

Following a two-year decline in tax collections from transfer and recordation taxes ending in FY96 that reflected a weak real estate market in the County, receipts began their historical rise in FY97, increasing 6.7 percent, jumping 40.1 percent in FY98 and 12.1 percent in FY99, moderating in FY00 and FY01, then accelerating another 29 percent per year from FY02 through FY04. Collections from recordation taxes exhibited the larger increase in FY04, 32.8 percent, compared to transfer taxes, which increased 25.7 percent. That increase was attributed to a 40 percent jump in revenues collected solely from mortgage refinancing. In FY03, mortgage refinancing contributed $28.8 million, or 34.9 percent, of total recordation tax revenues. In FY04, mortgage refinancing contributed $40.4 million, or 37.4 percent, of total recordation tax revenues.

Revenues from the transfer tax were exceptionally strong in FY04 with unprecedented total collections of $108.3 million. Revenues from the residential sector were $94.9 million, an increase 26.2 percent over FY03, and revenues from the non-residential sector were $13.4 million, an increase of 29.1 percent. The continued surge of real estate activity in FY04, attributed to historic low mortgage interest rates and accelerating home prices, was a primary factor contributing to the underestimates of projected transfer and recordation tax revenues for FY04.

The remaining tax sources, consisting of hotel/motel, fuel/energy, telephone, and admissions and amusement taxes, totaled $116.9 million and were approximately $1.2 million, or -1.0 percent, below the budget estimate. The modest economic expansion coupled with ongoing efforts against international terrorism had an effect on revenues from the hotel/motel industry (6 percent below budget estimate) during FY04. The economy, particularly the modest increase in real personal income of less than one percent, also affected revenues from the admissions tax (17.9 percent under budget), attributed to a reduction in attendance at movie theaters and facilities providing video arcades and games, and the telephone tax (12.7 percent below budget), attributed to a significant reduction in landlines. Fuel and energy taxes were 5.8 percent above the budget estimate.

In the General Fund, investment income declined 87.4 percent from $3.3 million in FY03 to $0.4 million in FY04. Investment income was 95 percent below the budget estimate. The dramatic decline in investment income follows declines in FY01, FY02, and FY03 and was the result of the continuation of an accommodative policy of the Federal Open Market Committee (FOMC) of the Federal Reserve that began in January 2001.

General Fund Appropriations and Transfers

Expenditure savings in FY04 amounted to $2.1 million. Savings occurred predominantly in departmental expenditures ($1.8 million) compared to non-departmental expenditures ($0.3 million). Even though all departmental and most non-departmental units recognized some savings this year, the majority of the savings occurred in lower than projected operating costs for the Department of Corrections and Rehabilitation ($0.7 million), the Department of Environmental Protection ($0.3 million), and the Department of Finance ($0.2 million).

County law requires that half of General Fund receipts from the income tax, transfer and recordation taxes, and investment income above the budget estimate must be transferred to the Revenue Stabilization Fund. Because of greater than expected receipts from the income tax and transfer and recordation taxes, there was a mandatory contribution to the Revenue Stabilization Fund in FY04 of $8.8 million.

(The remainder of this page has been left blank intentionally.)

Table 17
Montgomery County, Maryland
Schedule of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual(1)				Fiscal Year Budget
	2001	2002	2003	2004	2005
Revenues:					
Taxes:					
Property, including interest & penalty	$ 623,819,661	$ 644,523,032	$ 695,354,478	$ 736,961,478	$ 790,645,120
Transfer tax and recordation tax	102,381,412	132,085,074	169,583,507	219,080,729	154,070,000
County income tax	812,352,208	866,996,269	787,997,740	869,667,887	892,970,000
Other taxes	46,768,742	43,704,476	47,630,238	116,892,853	164,804,760
Total Taxes	1,585,322,023	1,687,308,851	1,700,565,963	1,942,602,947	2,002,489,880
Licenses and permits	4,631,314	4,857,707	8,728,837	9,201,123	9,239,090
Intergovernmental revenue	102,932,299	115,791,737	111,611,635	117,131,716	127,156,740
Charges for services	8,961,699	7,262,727	10,389,923	14,141,153	15,382,920
Fines and forfeitures	6,195,417	7,143,920	7,383,288	7,404,248	14,335,520
Investment income	16,998,296	8,270,355	3,310,147	416,588	3,582,820
Miscellaneous	9,596,381	10,598,490	8,929,585	8,945,982	8,595,610
Total Revenues	1,734,637,429	1,841,233,787	1,850,919,378	2,099,843,757	2,180,782,580
Expenditures (including encumbrances):					
General County:					
General government[2]	156,635,507	161,204,882	166,156,273	168,549,554	183,479,470
Public safety	172,137,027	188,059,119	212,829,090	225,634,585	245,794,564
Transportation and public works	36,326,517	32,518,389	41,130,164	45,659,148	38,789,559
Health and human services	145,121,009	149,134,783	157,251,684	163,006,801	178,967,585
Culture and recreation	37,985,645	44,090,316	43,455,404	41,611,491	42,520,943
Housing and community development	4,256,355	3,632,055	6,305,950	6,363,507	7,000,470
Environment	4,502,897	4,349,786	3,557,247	3,235,236	3,608,395
Total Expenditures	556,964,957	582,989,330	630,685,812	654,060,322	700,160,986
Transfers In (Out):					
Transfers In:					
Special Revenue Funds	10,283,760	12,850,550	12,555,270	13,203,740	12,538,500
Enterprise Funds	19,679,903	33,378,200	29,877,080	26,442,710	27,102,810
Internal Service Funds	--	500,000	--	--	--
Component Units	644,650	612,754	626,360	328,420	328,420
Total Transfers In	30,608,313	47,341,504	43,058,710	39,974,870	39,969,730
Transfers Out:					
Special Revenue Funds	(25,516,861)	(28,275,375)	(22,374,913)	(31,243,064)	(14,546,486)
Debt Service Fund	(143,528,192)	(157,010,129)	(168,474,195)	(177,932,595)	(189,066,240)
Capital Projects Fund	(52,079,521)	(61,368,324)	(15,012,594)	(29,506,722)	(45,793,611)
Enterprise Funds	(4,326,035)	(3,143,120)	(2,368,780)	(2,721,418)	(2,500,490)
Internal Service Funds	(1,581,897)	(471,622)	(79,734)	(116,423)	(584,970)
Component Units[2]	(1,036,644,903)	(1,117,630,064)	(1,163,343,950)	(1,222,246,998)	(1,333,392,759)
Total Transfers Out	(1,263,677,409)	(1,367,898,634)	(1,371,654,166)	(1,463,767,220)	(1,585,884,556)
Net Transfers In (Out)	(1,233,069,096)	(1,320,557,130)	(1,328,595,456)	(1,423,792,350)	(1,545,914,826)
Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out	(55,396,624)	(62,312,673)	(108,361,890)	21,991,085	(65,293,232)
Fund Balances, July 1 as previously stated	255,964,974	230,423,758	195,161,927	109,601,952	146,804,572
Adjustment for previous year encumbrances[3]	29,855,408	27,050,842	22,801,915	15,211,535	13,834,682
Fund Balances, July 1 restated	285,820,382	257,474,600	217,963,842	124,813,487	160,639,254
Equity transfers in (out)	--	--	--	--	--
Budgetary Fund Balance, June 30[2]	$ 230,423,758	$ 195,161,927	$ 109,601,952	$ 146,804,572	$ 95,346,022

(1) Audited amounts.
(2) FY01 fund balance restated for Component Unit Capital transfers and Silver Spring land adjustment.
(3) Prior year encumbrances are net of write-offs.
Note: Actual and budget amounts are for fiscal years ended June 30.

Table 18
General Fund
Schedule of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above[(1)]	$230,423,758	$195,161,927	$109,601,952	$146,804,572
Plus encumbrances outstanding	29,312,780	25,357,214	16,783,091	13,840,682
Adjustment for prior year encumbrances	(3,173,902)	(2,261,938)	(2,555,941)	(1,571,556)
Unrealized investment gain (loss)	142,060	(1,973,055)	1,752,108	(1,961,744)
Net differences between beginning fund balances	3,123,811	2,973,976	842,960	1,824,242
GAAP Fund Balance as Reported[(1)]	$259,828,507	$219,258,124	$126,424,170	$158,936,196
Elements of GAAP Fund Balance:				
Reservations	$ 32,711,557	$ 29,201,708	$ 22,540,476	$ 19,830,438
Designated for CIP Transfers	54,234,669	55,822,587	51,936,828	82,361,052
Designated for subsequent years expenditures[(1)]	116,684,146	61,325,631	17,300,037	30,017,660
Unreserved / Undesignated[(1)]	56,198,135	72,908,198	34,646,829	26,727,046
	$259,828,507	$219,258,124	$126,424,170	$158,936,196

(1) FY01 fund balance restated for Component Unit Capital transfers and Silver Spring land adjustment.
Note: All amounts are audited, and are for fiscal years ended June 30.

REVENUE STABILIZATION FUND

The State of Maryland in 1992, enacted legislation authorizing political subdivisions in Maryland to establish "rainy day" or reserve funds to accommodate future funding shortfalls. Pursuant to this State law, the County established a Revenue Stabilization Fund effective July 1, 1994.

The Revenue Stabilization Fund (the "Fund") supplements the reserve or operating margin the County annually sets aside. The County's Charter, Section 310, sets a five percent annual limit on General Fund surplus. The State law authorizing counties to set up rainy day funds expressly prevails over any contrary County charter provision. Revenues in the Fund are allowed to go as high as 10 percent of the aggregate revenue from certain sources in the preceding three fiscal years. The Revenue Stabilization Fund provides a mechanism to level out the revenue stream and adjusts for year-to-year fluctuations beyond a certain baseline level. County law requires that 50 percent of the growth above the average of the six preceding fiscal years in certain taxes (income, property transfer, recordation, but not the property tax) and General Fund investment income, be set aside in a restricted fund. Also, 50 percent of the annual revenue from these sources in excess of the Council's original projection in the budget resolution go to the Fund.

The Council, acting on the Executive's recommendation, may release up to half the balance in the Fund only if certain recessionary economic conditions occur. Two of the following three conditions must be met: l) the Director of Finance estimates that total General Fund revenues will fall more than 2 percent below the original projected revenues; 2) resident employment in the County has declined for six consecutive months compared to the same period in the previous year; and 3) a local index of leading economic indicators has declined for three consecutive months. Amounts released from the Fund can only be used for appropriations that have become unfunded.

As the result of higher than estimated income, transfer, and recordation tax revenues, a mandatory transfer of $8.8 million was made to the Fund at the end of FY04. There was no mandatory contribution in FY03. Prior to FY03, mandatory transfers were made in FY97 ($18.7 million), FY98 ($21.4 million), FY99 ($5.5 million), FY00 ($8.4 million), FY01 ($8.9 million), and FY02 ($7.7 million) as well as the discretionary transfers made in FY95 ($10 million) and FY96 ($4.5 million). With earned interest, the Revenue Stabilization Fund reached its maximum allowable size of $95.9 million at the close of FY04. Since the Fund reached more than half of its maximum size, according to the County law that established the Fund, interest earned from the fund must be transferred to PAYGO. The interest transfer in FY04 was $1.1 million; similar transfers were made in FY98 through FY03.

CASH AND INVESTMENT MANAGEMENT

Montgomery County maintains an active and sophisticated cash and investment management program. The primary objectives of the program are the preservation of capital, providing liquidity to meet County financial obligations, and maximization of the investment yield on the County's short-term working capital.

Working capital is managed pursuant to the Annotated Code of Maryland, the County Code, and the County's short-term investment policy, as approved by the County Council. The County is authorized to invest in obligations for which the United States has pledged its full faith and credit for the payment of principal and interest, in obligations that a federal agency issues in accordance with an act of Congress, or in repurchase agreements that any of the foregoing listed obligations secure. Cited statutes also authorize investments in bankers acceptances, secured certificates of deposit issued by Maryland banks, commercial paper of the highest investment grade, and in money market funds whose portfolio is operated consistent with Securities and Exchange Commission Rule 2a-7. The County requires that these money market funds invest only in obligations of a Federal agency or instrumentality issued in accordance with an act of Congress, and repurchase agreements collateralized by an obligation of the United States, its agencies, or instrumentalities. The average maturity of the working capital portfolio is generally less than six months.

At June 30, 2004, the investment balance of the County's portion of the consolidated portfolios was $518.2 million. During FY04 the County earned investment income of $6.4 million, with an average yield of 1.13%.

RISK MANAGEMENT

On July 1, 1978, County Code Section 20-37 was enacted to establish the Montgomery County Self-Insurance Program. The County self-insures such exposures as workers' compensation, commercial general liability, automobile liability, professional/public official liability, certain property, and other selected risks which require treatment.

An Inter-Agency Insurance Panel comprised of the County and member agencies, and chaired by the County's Finance Director, provides overall direction, formulates insurance policy, reviews claims, and evaluates the effectiveness of the loss control program. Claims against the agencies are handled under a contract with a third party claims administrator. Legal services are provided by the Office of the County Attorney.

The County Finance Department, Division of Risk Management operates the Self-Insurance Program for the County and other participating agencies: Montgomery County Public Schools, Montgomery College, M-NCPPC, various independent fire Corporations, City of Rockville, Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County, Rockville Housing Enterprises, Town of Somerset, Village of Martin's Additions, Village of Drummond, Village of Friendship Heights, and the Bethesda Urban Partnership. The City of Takoma Park and the City of Gaithersburg also participate, for workers' compensation coverage only.

In addition to the self-insured coverage, Risk Management coordinates the purchase of commercial insurance for such coverage as All Risk Property Insurance, Boiler and Machinery, Public Official and Employee Bonds, Electronic Data Processing, Fiduciary Liability, and others. From time to time, commercial excess liability insurance was purchased. However, beginning October 16, 2002, as a result of the volatile insurance market, it was determined that this coverage could not be purchased at affordable rates.

A summary of FY04 operations of the program is outlined below:

	($000's)
Revenues:	
Contributions from participating agencies	$33,080
Interest on investments	803
Recovered losses	1,258
Other income	88
Total Revenues	35,229
Expenses:	
Claims expense	27,853
Claims administration, loss control, external insurance, and other administrative expenses	8,947
Total Expenses	36,800
Net income (loss)	(1,571)
Retained earnings, July 1, 2003	(10,273)
Equity balance, June 30, 2004	($11,844)

By State law effective July 1, 1987, local government employees are protected by the Local Government Tort Claims Act. Under this legislation, the liability of the employees of local governments for common law torts, such as negligence, is limited to $200,000 for an individual claim, and $500,000 for all claims arising from one occurrence. This act, combined with the law limiting the public school system's liability to $100,000, significantly decreases the exposure of the program to large losses.

The County is also self-insured for unemployment benefits and maintains a minimum premium funding arrangement for employee health insurance. The FY04 operations for these two elements of the insurance program are not reflected above.

EMPLOYEES' RETIREMENT SYSTEMS

The Employees' Retirement Systems (Systems) consist of two pension programs sponsored by the County: a single-employer defined benefit plan and a defined contribution plan (initiated in FY95). Other agencies or political subdivisions have the right to elect participation. Substantially all employees of the Montgomery County Government, the Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, the independent fire/rescue corporations, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., the Washington Suburban Transit Commission, certain employees of the State Department of Assessments and Taxation, and the District Court of Maryland are provided retirement benefits under the Systems. The Systems, established under Chapter 33 of the County Code, are contributory plans with employees contributing a percentage of their base annual salary depending on their group classification, which determines retirement eligibility. The payroll for employees covered by the Systems for the year ended June 30, 2004 was approximately $446.2 million. The total payroll for Montgomery County Government in FY04 was $499.9 million.

All covered full-time employees of the County and participating agencies must become members of the Systems as a condition of employment. All covered career part-time employees of the County and participating agencies may become members on an individual basis. Non-public safety employees hired on or after October 1, 1994 enroll in the defined contribution plan. All other employees enroll in the defined benefit plan. At FY04 year-end, the defined benefit plan covered approximately 5,670 active participants and 4,926 retirees and inactive participants, with total liabilities amounting to approximately $2.56 billion. At FY04 year-end, the defined contribution plan had 3,521 participants with liabilities totaling $55.6 million.

Legislation enacted by the County Council in November 1999 required the Chief Administrative Officer to establish Deferred Retirement Option Plans, or DROP plans, that allow any employee who is a member of a specified membership group or bargaining unit, and who meets certain eligibility requirements, to elect to “retire”, but continue to work for a specified time period, during which pension payments are deferred. When the member's participation in the DROP Plan ends, the member must stop working for the County, draw a pension benefit based on the member's credited service and earnings as of the date that the member began to participate in the DROP Plan, and receive the value of the DROP Plan payoff. These DROP plans became effective during FY00.

The Board of Investment Trustees is responsible for managing the investment programs of the Montgomery County Employees’ Retirement Systems. Investments in the defined benefit plan amounted to $2.274 billion as of June 30, 2004. The defined benefit plan assets are invested in a diversified portfolio of equities, bonds, real estate and short-term instruments. The defined contribution plan assets are invested in a diversified group of mutual funds pursuant to participant direction.

Employees of the County may participate in the Montgomery County Deferred Compensation Plan, which was established pursuant to Section 457 of the Internal Revenue Code of 1986, as amended. Under the Plan, contributions are sent to contracted investment vendors for different types of investments as selected by participants. Legislation enacted in December 2004 allows the County to sponsor one or more additional deferred compensation plans for employees covered by a collective bargaining agreement.

For additional information concerning the County’s retirement plan, see Appendix A, “Notes to Financial Statements” Note IV-F, Pension Plan Obligations.

PROPERTY TAX INFORMATION

The County levies real and personal property taxes on all taxable property within its boundaries. Annual payments of taxes are due in full on July 1 and become delinquent on the following October 1. Semi-annual payments are the standard in Maryland for residential property owners only, with payments due September 30 and December 31. Property tax bills issued after September 30 may be paid within 30 days without interest or penalty. Tax sales to recover delinquent real property taxes are held on the second Monday in June in the fiscal year taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation. Assessment records and tax rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value (full cash value) and assessed in each year at a percentage of market value. Since July 1, 1991, real property was assessed at 40 percent of its full cash value. Legislation adopted by the State Legislature in 2000 changed the taxable assessment methodology from 40 percent to 100 percent of the assessed value of real property during FY01. Because property tax rates in effect for FY01 were determined at the beginning of the fiscal year – when the law required a 40 percent taxable assessment method – the rate reflected the “old” method. Effective FY02, all real property in Maryland is assessed at the full 100 percent, with a concomitant decrease in the appropriate tax rate. One-third of the real property base is physically inspected and reassessed each year. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline in assessed valuation becomes fully effective in the first year.

Because of growth in new construction and improved value of properties, the real property taxable base increased 28 percent in the last five years, measured through 2004. Due to a sluggish economy the past year, growth in the personal property base increased 5 percent in the last five years, bringing the overall increase in the aggregate property base to 27 percent during this period.

Table 19
Assessed Value of All Taxable Property
By Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Percent Change From Prior Year	Ratio of Assessment to Full Market Value
2004	$89,263,005,267	$3,963,801,610	$93,226,806,877	7.61%	91.35%
2003	82,407,337,831	4,227,854,400	86,635,192,231	5.94	88.71
2002	77,574,947,550	4,201,344,590	81,776,292,140	4.57	92.48
2001	74,122,532,195	4,077,848,090	78,200,380,285	3.49	94.10
2000	71,686,384,553	3,879,302,990	75,565,687,543	2.78	95.91

Note: During FY01 the taxable assessment method for real property changed from 40 percent to 100 percent of the assessed property value. Fiscal Year 2000 has been restated at 100% of assessed value on this schedule for comparison purposes.

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports.

Tax-exempt properties are excluded from the above figures. In FY04, such exemptions for real property owned by Federal, State, County, and other governmental units, religious institutions, schools, fraternal organizations, cemeteries, disabled veterans, and the blind totaled $9.4 billion. Tax-exempt real property constitutes 10.4 percent of the total gross real property base, with 75.0 percent of the tax-exempt property in the combined Federal, State, Local government sectors. The State Department of Assessments and Taxation grants exemptions from property taxes, pursuant to State law.

The ratio of total assessed value to total full market value is based on studies conducted by the State Department of Assessments and Taxation. Based on recent data (June 2004) from 236,300 residential properties, the overall average County assessment per improved residential account of $305,300 equates to an estimated market value of $350,500.

Table 20
Tax Levies and Revenue

Fiscal Year	General County Tax Levy (including Education)	Revenue From Current Year Assessment	Ratio of Current Yr. Revenue to Tax Levy	Revenue From Prior Year Assessment	Total Revenue	Ratio of Total Revenue to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy
2004	$738,731,341	$738,902,755	100.02%	$(4,201,792)	$734,700,963	99.45%	$32,220,479	4.36%
2003	697,317,162	695,293,144	99.71	(3,999,325)	691,293,819	99.14	29,698,063	4.26
2002	650,352,383	646,920,262	99.47	2,843,239	649,763,501	99.91	21,377,781	3.29
2001	621,488,986	616,106,377	99.13	(83,736)	616,022,641	99.12	20,788,899	3.34
2000	606,243,611	600,716,466	99.09	6,119,221	606,835,687	100.10	20,077,125	3.31

(The remainder of this page has been left blank intentionally.)

Table 21
Tax Rates and Tax Levies, By Purpose

Fiscal Year	General County (including Education) Rate	Levy	Transit Rate	Levy	State Rate	Levy	Total Rate	Levy
2004	$0.751	$738,731,341	$.044	$43,265,229	$.132	$117,987,242	$0.927	$899,983,812
2003	0.754	697,317,162	.038	35,124,792	.084	69,531,736	0.876	801,973,690
2002	0.741	650,352,383	.050	43,984,425	.084	65,703,036	0.875	760,039,844
2001	1.857	621,488,986	.100	33,566,329	.210	62,605,672	2.167	717,660,983
2000	1.863	606,243,611	.102	33,074,129	.210	61,359,955	2.175	700,677,695

Note: Rates are per $100 of assessed value. For FY02-04, tax rates shown are for real property only, and tax levies are based upon a 100% of full cash value assessment. The personal property rate for General County was $1.878 in FY04, $1.885 in FY03, and $1.852 in FY02; the personal property rate for Transit was $.110 in FY04, $.095 in FY03, and $.125 in FY02 (the State does not tax personal property). For Fiscal Years 00-01, real property was assessed at 40% of full cash value, and for those fiscal years the real property and personal property rates were the same.

Table 22
Ten Highest Commercial Property Taxpayers' Assessable Base

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	$ 766,285,986	$ 5,860,436	$ 760,425,550	0.82%
Verizon/Bell Atlantic	629,743,666	27,223,826	602,519,840	0.68
Westfield Shoppingtown Montgomery	224,504,932	224,144,332	360,600	0.24
Washington Gas Light Co.	206,249,370	--	206,249,370	0.22
Mirant Mid-Atlantic LLC	205,747,732	69,733,532	136,014,200	0.22
Bryant F. Foulger, Trustee	155,509,300	155,509,300	--	0.17
7501 Wisconsin Ave. LLC	155,000,000	155,000,000	--	0.17
Camalier, Anne D et al, Trustee	139,042,168	139,042,168	--	0.15
Democracy Associates	137,266,666	137,266,666	--	0.15
Marbeth Partnership	129,021,000	129,021,000	--	0.14
Total	$ 2,748,370,820	$1,042,801,260	$1,705,569,560	2.95%
Assessable Base (June 30, 2004)	$93,226,806,877			

Sources: State of Maryland, Department of Assessments and Taxation; and Montgomery County Department of Finance, Division of Treasury.

Impact Tax

Significant development is occurring throughout Montgomery County, placing great demands on the County to provide for transportation improvements, public schools and other public facilities. Effective March 1, 2004, and pursuant to Articles VII and XII of Chapter 52 of the Montgomery County Code ("Development Impact Tax for Transportation Improvements," and "Development Impact Tax for Public School Improvements," respectively), nearly all new residential development within Montgomery County is required to pay impact taxes. These impact taxes are a means of transferring a share of the costs of additional transportation improvements and additional classrooms in public schools to the new development that is primarily responsible for creating these needs. The tax is imposed prior to the issuance of a building permit.

The original impact tax law was enacted in 1990, was applied for transportation improvements only, and affected two outlying geographic areas of the County—Germantown, in the northern section of the County, and "Eastern Montgomery County." The law was amended in 2001 to add another northern section of the County (Clarksburg), and again in 2002 to extend the impact tax for transportation improvements to the remainder of the County. Amendments in 2004 added the schools impact tax.

The following table illustrates impact tax collections over the last 10 years.

Table 23
Impact Tax Collections

Fiscal Year	Transportation Impact Tax	Schools Impact Tax
2004 (1)	$5,245,000	435,000
2003 (2)	1,790,000	--
2002 (3)	1,990,000	--
2001	3,100,000	--
2000	990,000	--
1999	1,400,000	--
1998	1,020,000	--
1997	1,280,000	--
1996	840,000	--
1995	1,200,000	--

(1) added Schools Impact tax
(2) added County area
(3) added Clarksburg area

(The remainder of this page has been left blank intentionally.)

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

The population of the County, according to the 2000 Census, was 877,944, an increase of 15.6 percent since the 1990 Census. The Maryland-National Capital Park and Planning Commission (M-NCPPC) revised population estimate shows 1,004,000 for the County by July 1, 2010.

Table 24
Households and Population

	Households	Population	Population Percent Change from Prior Census
2010 (M-NCPPC est.)	372,000	1,004,000	14.4%
2004 (M-NCPPC est.)	345,000	931,000	6.0
2003 (M-NCPPC est.)	340,000	918,000	4.6
2002 (M-NCPPC est.)	335,000	903,000	2.9
2001 (M-NCPPC est.)	330,000	886,000	0.9
2000 (U.S. Census)	326,000	877,944	15.6
1990 (U.S. Census)	283,400	759,600	31.2
1980 (U.S. Census)	207,195	579,053	10.8
1970 (U.S. Census)	156,674	522,809	53.3
1960 (U.S. Census)	92,433	340,928	107.4
1950 (U.S. Census)	45,264	164,401	--

Note: Data are for total population, with forecasts for households and population in 2010 derived from the Demographic Forecast Model from M-NCPPC (Round 6.4A Revised).

Table 25
Median Age

	1950	1960	1970	1980	1990	2000
Median Age	29.5	28.1	27.9	32.1	33.9	36.8

Sources: U.S. Bureau of the Census and M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center, revised May 2001.

Employment

The County's economic structure reveals a diversified economy with a strong service sector and an increasing reliance on the private sector. For example, the share of public-sector employment declined from 18.8 percent in 1990 to 17.5 percent in 2003. The service sector (services, finance, insurance, real estate and retail trade) employed 72.2 percent of the total workforce in 2003, the latest annual data. The following tables present the County's employment by industrial sector.

(The remainder of this page has been left blank intentionally.)

Table 26
Payroll Employment

	1990	2000	2003	Difference 2003/1990 Number	Percent
TOTAL PRIVATE SECTOR	307,490	370,078	371,274	63,784	20.7%
PUBLIC SECTOR EMPLOYMENT:					
Federal	42,713	39,615	41,189	(1,524)	-3.6
State	1,634	1,100	1,118	(516)	-31.6
Local	27,011	33,084	36,328	9,317	34.5
TOTAL PUBLIC SECTOR	71,358	73,799	78,635	7,277	10.2%
GRAND TOTAL	378,848	443,877	449,909	71,061	18.8%

Notes: Payroll employment represents the total number of jobs covered by the Maryland unemployment insurance program.

The following groups are excluded from the payroll count: federal military, self-employed, railroad workers, and domestic employees.

The Bureau of Labor Statistics, U.S. Department of Labor converted the industrial classification schedule from the Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) in 2001. As a result, there is no breakout of the private sector because such data are not comparable for 2000 and 2003.

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Table 27
Payroll Employment Shares by Industry

	1990	2000	2003
TOTAL PRIVATE SECTOR	81.2	83.4	82.5
PUBLIC SECTOR EMPLOYMENT:			
Federal	11.3	8.9	9.2
State	0.4	0.2	0.2
Local	7.1	7.5	8.1
TOTAL PUBLIC SECTOR	18.8	16.6	17.5
GRAND TOTAL	100.0%	100.0%	100.0%

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Due to reclassification by the Bureau of Labor Statistics, U.S. Department of Commerce, of private-sector industrial categories from the U.S. Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) beginning with the 2001 employment statistics, there is no longer a historical comparison available within the private sector employment categories for years prior to 2001. The table below provides a comparison of the payroll employment data for 2002 and 2003 based on the new classification system.

Table 28
Payroll Employment
(NAICS Series)*

	2002**	2003	Difference	Percent Change
TOTAL PRIVATE SECTOR	369,442	371,274	1,832	0.5%
GOODS-PRODUCING	46,453	45,700	(753)	-1.6%
Natural Resources and Mining	600	611	11	1.8%
Construction	28,617	28,856	239	0.8%
Manufacturing	17,236	16,233	(1,003)	-5.8%
SERVICE PROVIDING	322,102	325,041	2,939	0.9%
Trade, Transportation, and Utilities	66,306	65,032	(1,274)	-1.9%
Information	16,274	15,019	(1,255)	-7.7%
Financial Activities	33,524	35,444	1,920	5.7%
Professional and Business Services	94,228	95,937	1,709	1.8%
Education and Health Services	52,379	53,280	901	1.7%
Leisure and Hospitality	37,844	38,455	611	1.6%
Other Services	21,547	21,874	327	1.5%
UNCLASSIFIED	887	533	(354)	-39.9%
PUBLIC SECTOR EMPLOYMENT	78,711	78,635	(76)	-0.1%
Federal Government	41,181	41,189	8	0.0%
State Government	1,109	1,118	9	0.8%
Local Government	36,421	36,328	(93)	-0.3%
GRAND TOTAL	448,153	449,909	1,756	0.4%

* North American Industrial Classification System.
** 2002 data series have been revised by the Maryland Department of Labor, Licensing and Regulation (DLLR).

During 2003 and the first nine months of 2004, the County's unemployment rate averaged 2.6 percent and 2.3 percent, respectively. The following table presents the County's labor force, employment and unemployment for the years 1997 through the first nine months of 2004.

Table 29
Montgomery County's Resident Labor Force
Employment & Unemployment*

	Labor Force	Employment	Unemployment	Unemployment Rate
2004**	514,614	502,613	12,001	2.3%
2003	505,536	492,219	13,317	2.6
2002	502,918	489,018	13,900	2.8
2001	490,617	479,345	11,272	2.3
2000	481,963	473,026	8,937	1.9
1999	474,359	465,627	8,732	1.8
1998	465,649	454,806	10,843	2.3
1997	464,854	452,773	12,081	2.6

Source: State of Maryland, Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics (BLS).
* All data was revised by DLLR and BLS to incorporate intercensal population controls for the 1990s.
** First nine months of 2004.

Federal Government Employment

The County is home to 23 Federal agencies in which over 63,000 civilians are employed, including a significant number of non-Federal employees working as consultants or researchers. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment in 2004.

Department of Health and Human Services	38,800
National Institutes of Health	
Food and Drug Administration	
Other	
Department of Defense	13,800
David Taylor Research Center	
Naval Medical Command	
Defense Mapping Agency	
Army Laboratory Center	
Walter Reed Army Medical Center/Institute of Research	
Other	
Department of Commerce	6,200
National Institute of Standards & Technology	
National Oceanic & Atmospheric Administration	
Nuclear Regulatory Commission	2,200
Department of Energy	2,100
Consumer Product Safety Commission	335

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center (2004 data).

(The remainder of this page has been left blank intentionally.)

Private Sector Employment

There are several thousand private sector employers in Montgomery County. Below is a listing of the County's largest employers.

Name of Firm	**Est. No. of Employees**
Adventist Healthcare*	6,000
Giant Food Corporation	4,900
Verizon	4,700
Chevy Chase Bank	4,700
Lockheed Martin	3,900
Marriott International, Inc. (Headquarters)	3,500
Hughes Network Systems	3,200
IBM	3,150
Sodexho Marriott Services	3,000
Holy Cross Health	2,800
Sears Roebuck & Co.	2,100
Discovery Communications, Inc.	1,900
BAE Systems (Marconi)	1,820
Montgomery General Hospital	1,750
Safeway Stores, Inc.	1,700
Westat	1,700
Government Employees Insurance Company (GEICO)	1,650
Aspen Systems	1,600
Bureau of National Affairs	1,600
Suburban Hospital	1,550
Kaiser Foundation Health Plan	1,430
National Association of Securities Dealers	1,330
Mid-Atlantic Medical Services, Inc.	1,200
GE Global Exchange Services	1,100
MedImmune	1,000
Miller & Long	1,000
Human Genome Sciences	1,000

*Includes Shady Grove and Washington Adventist Hospitals

Note: The employee numbers listed are best estimates taken during the 4th quarter of 2004 from various sources, including first-hand research by the County's Department of Economic Development, the Montgomery County Department of Park and Planning Research and Technology Center, CoStar Tenant, and company Internet websites.

(The remainder of this page has been left blank intentionally.)

PERSONAL INCOME

Actual personal income of County residents approached $46.7 billion in 2002 and is estimated to total approximately $51.5 billion in 2004. Income in calendar year 2002 experienced modest growth of 4.1 percent, but exceeded the performance of the national and state economies. By contrast, growth in 2003 is estimated to accelerate to 5.9 percent, which is slightly above the eight-year average of 5.7 percent, but moderate to 4.1 percent in 2004. Weak private-sector employment during 2003 and the first quarter of 2004, the latest date for which data are available, is the primary reason for the slowdown in personal income growth.

The County, which accounts for just over 16 percent of the State's population, accounts for almost 24 percent of the State's total personal income, a share that has grown during this decade.

Table 30
Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2004 (est.)	$51,484	$218,021	$9,608,859	23.6%
2003 (est.)	49,480	206,166	9,148,680	24.0
2002	46,730	198,544	8,868,261	23.5
2001	44,888	191,257	8,718,165	23.5
2000	43,354	181,957	8,422,074	23.8
1999	38,717	167,075	7,796,137	23.2
1998	36,323	157,784	7,415,709	23.0
1997	33,089	147,843	6,907,332	22.4
1996	32,177	140,035	6,512,485	23.0
1995	30,718	133,814	6,144,741	23.0

Notes: Actual data from U.S. Department of Commerce, Bureau of Economic Analysis, revised July 2004 (U.S. and Maryland); and June 2004 (County).
Estimates for Montgomery County (2003-2004) by Montgomery County Department of Finance.
Estimates for Maryland and United States (2004) by State of Maryland, Bureau of Revenue Estimates.

(The remainder of this page has been left blank intentionally.)

Average Household and Per Capita Personal Income

The County's estimated per capita income ranks seventh nationwide, and second in the Washington metropolitan area, among counties with total population of at least 175,000. The County's estimated average household income ranks seventh nationwide but first in the region.

Table 31
Estimated Per Capita and Average Household Income, 2004

County	Per Capita Income	County	Average Household Income
Marin, CA	$67,267	Marin, CA	$166,253
Arlington, VA	57,882	Fairfield, CT	155,343
Fairfield, CT	57,017	Morris, NJ	155,014
Morris, NJ	56,176	Westchester, NY	148,958
Westchester, NY	54,442	Nassau, NY	148,521
Somerset, NJ	54,208	Somerset, NJ	147,483
MONTGOMERY, MD	**53,992**	**MONTGOMERY, MD**	**145,352**
Fairfax, VA	53,703	Fairfax, VA	142,887
Bergen, NJ	53,391	Bergen, NJ	142,735
Nassau, NY	49,786	Lake, IL	138,172
Montgomery, PA	49,138	San Mateo, CA	135,195
Oakland, MI	48,323	Howard, MD	131,140
San Mateo, CA	48,239	Chester, PA	129,826
Norfolk, MA	47,818	Montgomery, PA	128,503
Howard, MD	47,607	Arlington, VA	127,156
Chester, PA	47,593	DuPage, IL	124,935
Lake, IL	46,389	Norfolk, MA	124,115
Middlesex, MA	45,756	Santa Clara, CA	122,129
DuPage, IL	45,025	Oakland, MI	121,535
Palm Beach, FL	44,430	Contra Costa, CA	120,343

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 175,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.
Estimates of 2004 per capita income were based on trending forwarding experience during 2001-2002.
Estimated average 2004 household income was derived by multiplying the estimated 2004 per capita income by the average number of persons per household in 2004.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business", May 2004, for personal income data; Sales and Marketing Management, "2004 Survey of Buying Power" for household data.

(The remainder of this page has been left blank intentionally.)

NEW CONSTRUCTION

Between FY96 and FY00, the number of new construction projects improved each year with an average annual growth rate of 11.7 percent, caused mainly by the dramatic increase of 33.5 percent in FY00. New construction in FY00 was exceptionally strong in the multifamily housing sector. Single and multifamily new residential construction in FY00 jumped to the highest level since FY90, while the combined commercial and industrial sector in FY00 continued to moderate from its peak in FY98. However, such increases in new construction in the residential sector, particularly multifamily units, could not be sustained. In fact, data for FY01 and FY02 show considerable retrenchment, especially the number of construction projects for apartments and condominiums, which when combined declined almost 56 percent. Because of such declines, the growth in additional residential real property tax base declined 8.3 percent over the two-year period. It is clear from the data that the County experienced dramatic growth in the additional real property tax base in FY03 which was attributed to residential rather than non-residential construction. That trend was reversed in FY04 with an increase in the construction of condominiums and non-residential real estate offsetting the decrease in the construction of single-family housing and apartments. As a result, the growth in additional real property tax base increased a modest 1.1 percent in FY04.

Table 32
New Construction Added to Real Property Tax Base
Montgomery County
($ millions)

Fiscal Year	Number*	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2004	15,141	$ 892.4	$21.0	$176.4	$ 559.1	$ 3.0	$ 1,651.9
2003	15,969	1,023.5	49.9	133.2	426.9	1.2	1,634.7
2002	15,696	896.1	19.4	70.8	520.7	1.3	1,508.3
2001	14,599	878.5	53.7	88.2	276.0	4.4	1,300.8
2000	20,205	843.4	93.8	108.4	233.6	7.5	1,286.7
1999	15,130	787.4	11.0	55.9	287.1	24.5	1,165.9
1998	14,162	743.1	1.9	48.9	330.8	27.6	1,152.3
1997	13,837	725.9	7.9	56.0	182.9	6.0	978.7
1996	12,677	764.5	25.2	51.6	116.2	53.9	1,011.4
9-Year Summary		$7,554.8	$283.8	$789.4	$2,933.3	$129.4	$11,690.7
Categories as Percent of Total		64.6%	2.4%	6.8%	25.1%	1.1%	100.0%

* Indicates total number of all types of building permits.

Note: Property assessed at full cash value in FY2002 and prior years adjusted to full cash value.

Source: Montgomery County Department of Permitting Services (*), and Maryland State Department of Assessments and Taxation.

(The remainder of this page has been left blank intentionally.)

Development Districts

In 1994, the County Council enacted the Development District Law, which allows the County to create development districts and 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 acquisition of infrastructure improvements. The proceeds of development district bonds are used to fund certain road, park, and sewer infrastructure improvements supporting development within the districts.

As a result of a petition by property owners and the subsequent review and analysis of the feasibility of the proposed development district, the County Council, in January 1998, created the County's first development district, West Germantown. Encompassing approximately 671 acres in an unincorporated area of Montgomery County, the district consists of two residential developments, which provide for the construction of 1,291 single-family and 102 multi-family units. A second district, Kingsview Village Center, was created on July 28, 1998. This district consists of a 112,000 square foot retail shopping center, and 236 multi-family housing units.

In separate actions in September 2000 and October 2001, the County Council approved resolutions initiating evaluation of three proposed new development districts located in Clarksburg: Clarksburg Town Center, Clarksburg Village and Clarksburg Skylark. The Clarksburg Town Center development district was created on March 4, 2003. Bonds have not yet been issued for Town Center. Upon completion of the three districts in Clarksburg, the proposed developments will consist of approximately 5,200 residential units, 100,000 square feet of commercial office space, and 260,000 square feet of retail space.

ECONOMIC DEVELOPMENT INITIATIVES

In an effort to stimulate employment growth and new investment, the County initiates programs and promotes the strengths of each of its local employment centers.

Technology Corridors

The I-270 Technology Corridor, recently named "DNA Alley" by *Time* magazine, is a nationally known high technology center. It is home to over 500 biotechnology and information technology companies, including Celera Genomics, Human Genome Sciences, Lockheed Martin, MedImmune, IBM, and Hughes Network Systems. The corridor continues to grow with over 30 million square feet of additional commercial and industrial development in the pipeline.

The U.S. Route 29 corridor in eastern Montgomery County is another emerging high technology and business center with nearly 100 major employers. The $825 million FDA Headquarters Consolidation project will occupy 130 acres of the 660-acre Federal Research Center in White Oak. The new FDA campus will include 2.1 million square feet of office, lab and support facilities. Nearly 2,000 FDA employees will occupy the campus by May 2005, with almost 8,000 total employees at project completion projected for 2010.

Recognizing the economic importance of such a large federal user like the FDA, the County chose a 115-acre site just northeast of the FDA campus to build its next Science and Technology Center. The Center will feature 800,000 square feet of development, including laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter facility, and several built-to-suit sites. The County hopes to break ground in 2005.

Other developments occurring along the Route 29 Corridor include the redevelopment of several existing shopping centers to attract higher-end restaurants and amenities, the development of new shopping centers and restaurants, as well as a new 180-acre mixed-use redevelopment project to include new office, retail and residential development.

Central Business Districts

The County is committed to promoting new investment in its Central Business Districts (CBD). The County's four CBDs in Silver Spring, Wheaton, Bethesda, and Friendship Heights are served by the region's longest extensions of the Metrorail system, and are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations.

Downtown Silver Spring

Since 1998, the State and Montgomery County together invested over $186 million for the redevelopment of downtown Silver Spring and today the return on this investment is clearly evident. Downtown Silver Spring has transformed into a vibrant business, retail and entertainment hub – with the American Film Institute and Discovery Communication leading the way.

The redevelopment project includes 500,000 square feet of retail, restaurant and entertainment space, some 240,000 square feet of office space, a hotel, a community facility, and two new parking garages. The first phase was completed in 2000, and features some 100,000 square feet of retail space, including Fresh Fields Whole Foods Market, Strosniders Hardware, and a Sprint PCS Store. In 2001, the project was expanded to include Baja Fresh, Hollywood Video, Next Day Blinds, MotoPhoto and Family Dry Cleaners.

Over the last year, an array of new restaurants and shops were added, including Red Lobster, Panera Bread, Austin Grill, Macaroni Grill, Lebanese Taverna, Pier 1, Ann Taylor Loft, The Majestic 20 movie theater, and Borders Books and Music.

A new 150,000 square foot office building just opened and the American Nurses Association is the anchor tenant, with about 60,000 square feet. Expected to open soon will be a Storehouse Furniture, Red Rock Canyon Grill, Cold Stone Creamery, and Office Depot.

Elsewhere in downtown Silver Spring, the Takoma Park campus of Montgomery College is in the midst of an $88 million expansion that will extend the campus into the heart of south Silver Spring along the Georgia Avenue corridor. The project marks the single largest capital venture for the College since the creation of the Germantown campus in the 1970s, and is widely seen as a vital component of the revitalization of downtown Silver Spring. The expansion will proceed in three phases over the next six years. Construction on Phase I, the 98,000 square foot Health Sciences Center, began in the fall of 2002 and is now complete. Phase II, the Student Life Center and Pedestrian Bridge, will begin construction in 2004, with an anticipated completion date of 2006. Phase III, the Cultural Arts Center, will begin construction in 2006, with completion expected by 2008. The 180,000 square foot Giant bakery building was acquired in 2002 for future expansion; conversion to house an expanded Art department and art studios is being planned.

A new $173.6 million Transit Center mixed-use development project, including retail, residential, hotel, and restaurants alongside an inter-modal transportation hub linking bus, rail, and other transportation services is also planned for downtown Silver Spring.

The State of Maryland's designation of downtown Silver Spring as an Enterprise Zone provides special financial incentives for new investment and job creation in the CBD, and continues to attract businesses to the area.

Wheaton

With significant development activity completed, underway and planned by the private sector, the redevelopment of Wheaton as a mixed-use urban center is becoming a reality. Recently completed and occupied residential townhouse projects created Wheaton's first housing in many years within the downtown. Also, a large residential apartment complex opened and began occupancy. These three residential projects represent 361 new downtown dwelling units. The regional mall, Westfield Shoppingtown Wheaton, is also undergoing a major expansion and redevelopment. Throughout Wheaton, development activity is underway or in the planning process. Together the development activity initiated by the private sector will create nearly two million square feet of new development and generate over $306 million in private capital investment. These developments will add 736 residential units, nearly 400,000 square feet of new retail and 300,000 - 400,000 square feet of new office space in the downtown area. Pedestrian improvements, new safety measures, and a Clean and Safe Program are being utilized to make the downtown area a more attractive and friendly environment.

Redevelopment Projects Completed and Under Construction

Westfield Shoppingtown Wheaton: In March 2005, Westfield Shoppingtown Wheaton, an 850,000 square foot regional mall, will unveil its newly renovated mall, a new 180,000 square foot Macy's department store, 50 new specialty shops and an additional 100,000 square feet of retail shopping space. Together Westfield Corporation, owners of the mall, and Macy's are investing $95 million and $30 million, respectively, in this large retail redevelopment project. The County provided $6 million to help fund the construction of a new 800 space public parking garage that will support Macy's and the new retail development.

Brownstones and Montgomery at Wheaton Metro: Eakin/Youngentob and Bozzuto Group are finalizing construction of this 318 unit residential project adjacent to the Metro station. This project includes 243 luxury rental apartments and 75 luxury townhouses, along with a new parking garage. Sales of the townhouses began in spring 2004; the average sales price for these homes has been in the mid- to high- $500,000 range, with some units reaching $700,000. Bozzuto Group opened its leasing office in November 2004 for the multi-family complex, the Montgomery. Rental prices for the Montgomery will range from approximately $l,190 to $2,200, depending on the size of the unit. Public sector support for this joint development project included a $500,000 State of Maryland Smart Growth Grant for transit-related pedestrian connections and streetscaping, and County funding of $497,000 for public amenity space, Gateway Plaza, and relocation of telecommunications equipment.

Clairmont at Wheaton Metro: Pulte Homes completed and sold 42 luxury townhouses and one single family house. The sales prices of these townhouses, which were initially offered for sale in Spring 2004, were in the low- to mid- $400,000 range. A $200,000 State of Maryland Community Legacy grant provided funding to construct streetscape improvements for this project.

Redevelopment Projects Planned to Begin Construction in 2005

HOC/Bozzuto Metro Air Rights Residential **-** Bozutto Group plans to break ground on this 175 unit residential apartment complex in the summer of 2005. A subdivision application for this project is currently under review by the Maryland-National Capital Park and Planning Commission, with a decision expected in January 2005. The project will include 70% luxury units and 30% affordable units, along with a parking garage. Completion is expected in 2007.

Wheaton Rescue Squad – A new 28,000 square foot two-story operations center and community/social hall will be under construction in early 2005 for this downtown private independent rescue squad. The new facility will be located just outside the downtown area at the intersection of Georgia and Arcola Avenues.

Investments by the federal, State and County governments helped facilitate the Wheaton redevelopment and revitalization initiatives. The federal government provided the County with over $1,000,000 in funding for streetscape and façade improvements and a small business computer technology training center. The State provided over $800,000 in Smart Growth and Community Legacy Grant funds for transit-related and streetscape improvements. The State also funded a Pedestrian Safety Study and a Public Safety Audit to identify and seek safety enhancements in the downtown. The County established a Redevelopment Office in Wheaton to oversee the redevelopment and revitalization activities, established a Clean and Safe Program to enhance the downtown's appearance, and established the Charles W. Gilchrist Center for Cultural Diversity. Additionally, the County provided public funding support to several private development projects, including Westfield Shoppingtown Wheaton. In the near future, the County will look at amending the existing Retail Preservation Overlay Zone to facilitate more realistic development procedures and encourage redevelopment opportunities, as well as assessing additional local public support to help facilitate new private investment. Business incentives such as Enterprise Zone tax credits and a Green Tape permit expediting program are currently provided by the County to make downtown Wheaton more attractive as a location to expand or relocate.

Bethesda

Downtown Bethesda has become a major urban business and entertainment center in the Washington region, due to the presence of almost 200 restaurants along with the density of both high-rise office and residential buildings. Federal Realty Investment Trust is in the process of completely renovating and reconstructing the streetscape of a seven-block area called Bethesda Row, greatly increasing the mix of retail offerings in Bethesda. The Bethesda Row area continues to flourish and maintain its reputation as the center for nightlife in Montgomery County. The most recent addition to this area is the Landmark Row Cinemas, an "art house" type theater that features mostly independent films. The major office component of Bethesda Row is a 135,000 square foot office and retail building at 7255 Woodmont Avenue. This building delivered in 2001 and is fully leased to Opnet Technologies and AMI Capital, Inc. This facility also features a number of popular street-level restaurants and shops, including Jaleo, Cosi, and Mon Ami Gabi. Additionally, the final phases of Bethesda Row are becoming reality with the relocation and construction of a new gourmet Giant Supermarket and the addition of several luxury apartments and condominiums.

The rest of downtown Bethesda continued to see new additions in 2004. Most notably Nederlander Worldwide Entertainment announced last year that it would establish its east coast headquarters in the former Bethesda Theater Café building. The theater underwent over $6 million in renovations in preparation for Nederlander's arrival. The company began producing off-Broadway productions in the theater in 2004. Additionally, a number of luxury townhomes have been built above the theater along with a 345-space County parking garage.

In the downtown Bethesda office market, the major reinvestment program that changed the skyline of the Bethesda CBD is nearing completion. A comprehensive planning program for the CBD was completed in 1984 with a focus on the Bethesda Metro Center station and all of the development associated with that program was constructed. The final major projects completed in the plan were the 306,000 square foot Francis G. Newlands building which was delivered in September 1999, and the 700,000 square foot Chevy Chase Bank headquarters building at 7501 Wisconsin Avenue that was delivered in September 2001. The Chevy Chase Bank building features two 15-story towers and is the corporate headquarters for Chevy Chase Bank. The facility also includes a Chevy Chase Bank branch, a restaurant, retail shops, and a 400-seat performing arts theater. A number of other tenants signed leases in the building, including Profunds Advisors, GMAC, Green Park Financial, and Global Reliance Technology.

Other new mixed-use developments breaking ground include Bethesda View, a Sheridan development; The Palisades, a development by Southern Management; and Residence at Rosedale, a luxury rental apartment project from Magruder Properties.

Downtown Bethesda also features the Capital Crescent Trail, an abandoned railway right-of-way that was purchased by the County and turned into a popular recreational hiker-biker trail running from Silver Spring to the Georgetown area of Washington, D.C.

Friendship Heights

The Friendship Heights CBD is located at the Montgomery County-Washington, D.C. border with the Metrorail station at Wisconsin and Western Avenues at its center. Comprising or adjacent to the Friendship Heights CBD are multiple smaller jurisdictions and developments, including the Village of Friendship Heights special taxing district, the Town of Somerset, the Brookdale neighborhood, and the Somerset House complex.

The Friendship Heights area saw the beginning of two major developments projects in 2004. One project is the New England Development Corporation's Wisconsin Place development, which will be located at the Hecht Company site on the corner of Wisconsin and Western Avenues. This project will include 305,000 square feet of Class A office space, a 265,000 square foot retail center (including a new Hecht's building and supermarket), a 20,500 square foot Community Center, 433 moderately-priced housing units, 1,749 new parking spaces, and two parks, all of which will be connected by a system of pedestrian walkways. Also, in February 2004, The Mills Corporation announced it would be relocating its headquarters from Arlington, Virginia to Friendship Heights. Mills will bring over 300 jobs to the County and lease approximately 200,000 square feet in the new Chevy Chase Center. Mills is expected to move into its new facility by the end of 2006.

The approval of Wisconsin Place will account for a significant portion of the development allowed in Friendship Heights under the Friendship Heights Sector Plan. This Plan concentrates new growth in the Metro-served area while preserving the surrounding neighborhoods. The Plan originally allowed for a total of over 1.4 million additional square feet of office and retail space and housing opportunities for an estimated 635 dwelling units on the Hecht's and adjacent Geico properties. One of the first major projects constructed in this Plan was the Chase Tower, a 240,000 square foot retail and office building that delivered in November 2001. This luxury Class A tower is now home to the new corporate headquarters for Ritz Carlton. Other tenants in this building include Capital Trust, Capital Source, and the JBG Companies.

Existing Office/R&D/Commercial Space

As of November 2, 2004, Montgomery County has just over 98 million square feet of commercial real estate space (office, flex, R&D, industrial). The weighted vacancy rate for the County dropped since November 2003 from 9.14% to 8.01%.

Most of Montgomery County's office space is located along two "Technology Corridors", the I-270 corridor and the Route 29 corridor. The I-270 corridor includes the Bethesda, Rockville, Gaithersburg, and Germantown markets and features over 67 million square feet of office space. Notable buildings along the I-270 corridor include the 700,000 square foot Chevy Chase Bank headquarters in Bethesda and the 260,000 square foot Tower Building in Rockville. The Route 29 corridor connects Silver Spring to Burtonsville and includes over 15 million square feet of office space. Discovery Communications' new 550,000 square foot corporate headquarters in downtown Silver Spring is the signature building in the corridor. Also featured along Route 29 is the Westech Business Park, which will include over three million square feet of office, R&D, light industrial, and retail development.

Table 33
Office/Flex/Industrial/Commercial Space Availability by Submarket
As of November 2, 2004

Montgomery County Office Market	Total Inventory (Square Feet)	Total Vacant (Square Feet)	Vacancy Rate w/Sublet	Vacancy Rate w/o Sublet
Bethesda/Chevy Chase	12,138,656	1,143,280	12.25%	9.42%
Gaithersburg	15,978,994	970,386	7.84%	6.07%
Germantown	6,413,251	929,858	16.93%	14.50%
Kensington/Wheaton	4,235,236	161,141	3.95%	3.80%
North Bethesda/Potomac	13,576,797	1,060,557	9.09%	7.81%
North Rockville	17,964,087	1,458,616	9.90%	8.12%
North Silver Spring/Rt 29	6,525,662	507,732	7.90%	7.78%
Rockville	13,229,776	975,976	7.97%	7.38%
Silver Spring	8,394,579	678,422	9.01%	8.08%
Total County	98,457,038	7,885,968	9.48%	8.01%

Note: These figures are provided by CoStar Property, the County's source for commercial real estate information.

AGRICULTURE

Agriculture in Montgomery County is a diverse industry that occupies about one-third, or 93,000 acres of the County land area. The County's agriculture industry contributes nearly $251 million to the local economy. Over $84 million comes from the County's thriving equine industry, about $125 million from horticulture, and $42 million from traditional agriculture. There are more than 577 farms and 350 horticultural enterprises in the County. The majority of farms are family-run operations, most having been in the same family for several generations. The industry as a whole employs more than 10,000 residents.

Preservation of rural land for agricultural use is a high priority in Montgomery County. Farmland preservation efforts consist of a variety of strategic programs offered by the County and State. Montgomery County received a total of $16.9 million in Rural Legacy Program grant awards over the past five years.

Since its creation in 1980, the 93,000 acre Agricultural Reserve controlled farmland development in the County. There are approximately 70,000 acres of farmland in the Reserve, and another 20,000 acres within the Reserve are publicly owned (parkland) or previously developed land (rural villages). Over 61,000 acres of farmland, more acreage than in any other county in the nation, are protected through easements.

Farmers and landowners can choose from seven separate agricultural land preservation programs. Each of these programs places an easement on the property that prevents future commercial, residential or industrial development of the land. These programs include:

Montgomery County Agricultural Easement Program (AEP)
Maryland Agricultural Land Preservation Foundation (MALPF)
Maryland Environmental Trust (MET), and other private trust organizations
Montgomery County Transfer of Development Rights Program (TDR)
Montgomery County Rural Legacy Program (RLP)
Montgomery County Legacy Open Space (LOS)
Conservation Reserve Enhancement Program (CREP)

The Department also supports retail agricultural marketing programs, such as the County-sponsored farmer's markets and annual farm tour, and promotion of wholesale and cooperative marketing.

OFFICE/INDUSTRIAL PROJECTS

Public/Private Projects

In 2004, Montgomery County made significant progress in developing three additional strategic Science and Technology Centers throughout the County. In addition, the County held a grand opening of its second high technology incubator facility, the Silver Spring Innovation Center in downtown Silver Spring. Additionally, the County made significant progress on new "Town Center" projects in downtown Rockville and Silver Spring. Details on all of these projects appear below.

East County Center for Science and Technology (ECCST)

The East County Center for Science and Technology (ECCST) is a public-private partnership among Montgomery County, the Washington Suburban Sanitary Commission (WSSC) and Republic Properties Corporation. Under the proposed arrangement, a 115-acre site owned by WSSC and located off Route 29 in eastern Montgomery County will be conveyed to the County, with the goal of developing and constructing a science and technology park modeled after the County-owned Shady Grove Life Sciences Center in Rockville. Republic Properties of Washington, D.C. was selected by the County to serve as the County's private development partner in the project. Republic is charged with developing a plan that focuses on eastern Montgomery County's needs for biotechnology and high technology development, along with public amenity needs in the area. Republic's preliminary plan calls for 800,000 square feet of development, including laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter building, built-to-suit sites, and a daycare center. The County is currently negotiating the land transfer and development agreements with both WSSC and Republic. While these agreements are being negotiated, Republic started on a number of pre-development tasks such as traffic studies and environmental assessments of the ECCST site. Once the final development agreements are in place, it is estimated that groundbreaking on the Site will take place in late 2005. The entire project is likely to take 10 years to reach full build-out.

Montgomery College-Germantown Science and Technology Park

In early 2003, Montgomery College settled on the purchase of a 20-acre site adjacent to the College's Germantown campus. This property will be combined with 20 acres of existing undeveloped land on the campus to form a 40-acre site on which a one million square foot science and technology center will be constructed. The purchase of the 20-acre site was made possible by a total of $6.1 million in funding appropriations to the College from the State and County. The preliminary plan for the science and technology center calls for primarily high technology research and development space, with a focus on the life sciences, which will complement the biotechnology programs and curriculum already offered at the Germantown campus. As part of the County's investment in the purchase of the land, the County will be granted a five-acre site on the property to construct and manage a high technology incubator for start-up companies. The plan also calls for facilities for incubator "graduates" as well as space for mature biotech and high technology companies. Once built-out, the center could be home to nearly 4,000 employees. In early 2004, the College received several proposals for development plans, and ultimately selected Foulger Pratt as its development partner. The College hopes to begin construction on the project in 2005.

Cabin Branch/Clarksburg Science and Technology Center

The Cabin Branch/Clarksburg project will be a unique partnership agreement between Montgomery County and Adventist Healthcare. The Cabin Branch property in Clarksburg is a 535-acre property that will become a mixed-use development of residential, retail, and commercial use. The parcel is currently owned by four groups, one of which is Adventist, which owns nearly 200 acres. The preliminary plan for the partnership between the County and Adventist calls for Montgomery County to acquire approximately 30-40 acres of the Adventist-owned land on the Cabin Branch property. The County will acquire this land from Adventist through a unique land swap arrangement, whereby Adventist will be able to convert several of their land leases of County-owned property in the Shady Grove Life Sciences Center into fee simple ownership interests, in exchange for giving the County the land on the Cabin Branch property. While no formal development plans are proposed for the County land on the site, it will likely include a mix of high tech office, R&D, and biotech laboratory space.

Silver Spring Innovation Center

In September 2004, a ribbon-cutting ceremony was held for the Silver Spring Innovation Center (SSIC), the County's second high technology business incubator. The 20,000 square foot facility provides low cost office space and services for start-up information technology companies. The SSIC was built by the JBG Companies and will be owned and operated by Montgomery County. The facility cost $2.5 million to construct, with the funding coming from a $1 million investment from the County, a $1 million grant from the Maryland Technology Corporation (TEDCO), and a $500,000 investment from the State of Maryland.

Downtown Silver Spring/Silver Triangle

The 22-acre downtown Silver Spring redevelopment is about halfway complete as of the end of 2004. Discovery Communications' new 550,000 square foot corporate headquarters, which houses over 2,000 employees, opened in late 2002. New restaurants and stores are opening every month, including Borders Books, Ann Taylor Loft, Fresh Fields, Strosniders Hardware, Austin Grill, and Panera Bread. Downtown Silver Spring is also home to the AFI Silver Theater, and a new Loews Multiplex movie theater. New office construction is underway in the area as well, including the 150,000 square foot building at 8515 Georgia Avenue, which will be home to the American Nurses Association when it opens in 2005.

Rockville Town Center

The first phase of the $352 million redevelopment of downtown Rockville broke ground in 2004. The 15-acre site will become a mix of retail, restaurant, cultural, entertainment, residential and office uses when it opens in the fall of 2006. Specifically, the project will consist of approximately 630 total premiere residences, 175,000 square feet of retail and restaurants, three public parking garages, the new Rockville library, and several new office buildings. The City of Rockville, State of Maryland, and Montgomery County are the primary investors in this project.

Private Real Estate Projects

Irvington Center (King Farm)

Office and commercial activity continues to be strong in the 430-acre King Farm urban village in Rockville. The newest office building, Four Irvington Center, is under construction and will feature 200,000 square feet of space and a 120 person conference room when it delivers in 2005. Three Irvington Center broke ground in August 2000, and delivered in April 2002. The 217,000 square foot building experienced significant leasing activity, most notably a 75,000 square foot lease by Dental Benefit Provider, a 24,000 square foot lease by Hilb, Rogal, and Hamilton Company, and an 11,000 square foot lease by Mason Dixon Funding. Federal Medical and Health Extras also signed new leases in this building in 2004. The 165,000 square foot building at Two Irvington Center delivered in December 2000, and includes as tenants Wolpoff and Abramson, Avendra, and Client Network Services Inc. One Irvington Center, the first office building completed on the campus, is almost completely leased to companies such as Aronson and Company, Artesia Technologies, and Quest Software, Inc. This building also includes the upscale restaurant Nick's Chophouse. Additional amenities were also added and proposed for the Irvington Center site in 2004, including the approval to build a 175,000 square foot Sheraton hotel. The entire Irvington Center campus is comprised of over 90 acres and will ultimately include over three million square feet of office commercial, retail, and hotel space.

Rock Spring Centre

Construction began in 2003 on Rock Spring Centre, a 53-acre mixed-use development in Bethesda at the intersection of Interstate 270 and Old Georgetown Road. This project will create a "town-center" feel in North Bethesda's prominent Rock Spring Office Park, which features almost 20,000 employees in nearly five million square feet of office space, and includes the corporate headquarters for Marriott International and Lockheed Martin. Rock Spring Centre will contain up to one million square feet of Class A office space, 225,000 square feet of upscale retail space, and 1,200 luxury apartment units. The Canyon Ranch Spa and Hotel announced the building of a facility in Rock Spring Centre. The Spa and Hotel, along with the other retail and restaurant components of the Centre, is expected to open in late 2005 or early 2006.

Seneca Meadows Corporate Center

Seneca Meadows Corporate Center features nearly 500,000 square feet of Class A office and flex space on 156 acres on the east side of Interstate 270 in Germantown. The park is ultimately approved for a total of 1.6 million square feet of office space which will be used for high tech, biotech, and light industrial users. Current tenants in the park include Smiths Aerospace, Large Scale Proteomics, Roberts Home Medical, Advancis Pharmaceuticals, and Avalon Pharmaceuticals.

Tower Oaks Corporate Park

This 200-acre site is prominently located just off I-270 in Rockville. The 180,000 square foot building located at the Preserve at Tower Oaks is now fully leased with the 2003 additions of Capital Management Strategic Financial Services and Paradigm Solutions Corporation. The primary tenant in this building continues to be Legato Systems (formerly OTG Software). Booz Allen and Hamilton is the most recent tenant in the 260,000 square foot Tower Building located on Wootton Parkway, signing a lease for 40,000 square feet in March 2003. This building also includes the U.S. Department of Health and Human Services, Telenor Satellite Holdings, and HHS Ventures. The 30,000 square foot Oak Plaza is fully leased and includes Sun Control Systems and Ronald Cohen Investments as lead tenants. The Clyde's Tower Oak Lodge restaurant opened in the park in 2002, representing the first retail establishment to locate in the development. The entire Tower Oaks Corporate Park is planned for over two million square feet of office, retail, restaurant, and hotel space.

Washingtonian Center

Washingtonian Center continued to grow and expand in 2004. This 210-acre mixed-use development project in Gaithersburg has a "Town Center" feel with a mix of office, retail, restaurant, residential, and entertainment centers, all located within walking distance. Two office buildings moved closer to completion in 2004, including a 150,000 square foot building at Washingtonian South, which will be home to Marriott International and a 105,000 square foot building at the Washingtonian Lakefront. Both buildings are scheduled for delivery in 2005. Additional office space proposed includes nearly one million square feet of space at Washingtonian North and 320,000 square feet of space at Washingtonian South. A number of mixed-use projects at the Washingtonian Lakefront made significant progress in 2004. A 1,000 space parking garage that opened in the summer of 2004 will serve a new Courtyard by Marriott hotel, which broke ground in the fall of 2004 and should be complete by the end of 2005. In addition to the new hotel and garage, the Lakefront was approved for high-end retail use and up to five restaurant pads. Several retailers and restaurants committed to Washingtonian, including Ann Taylor Loft, Jos. A. Bank clothiers, Ruth's Chris Steakhouse, and Red Rock Canyon Grill.

Westech Business Park

Located at U.S. Route 29 and Randolph Road in eastern Montgomery County, this 247-acre site is zoned for up to three million square feet of mixed-use development. A 32,000 square foot flex building in the park delivered in March 2004. This building is in addition to two new 75,000 square foot office buildings, TecHill One and TecHill Two. TecHill Two delivered in early 2002, and is entirely leased to Softmed Systems. TecHill One, which delivered in 2000, had significant recent leasing activity with the additions of Children's Hospital and American Bank. The latest development opportunity at Westech was submitted to the Montgomery County Planning Board as two different options for the same property. Oakridge Office Center would be a 560,000 square foot Class A office campus; Oakridge Flex Center would consist of three flex buildings totaling 240,000 square feet. The ultimate development option for this site will be based on market conditions. The full build-out of the Westech Business Park is expected to generate more than $200 million in capital investment, and more than 12,000 jobs. Current corporate tenants located in the original buildings constructed in the park include Nextel and Kaiser Permanente.

NEW BUSINESS ADDITIONS AND EXPANSIONS

Montgomery County's Department of Economic Development worked with over 300 companies in 2004 that were looking to expand in or relocate to the County. These companies are projected to create over 3,000 jobs, lease or construct over 900,000 square feet of office space, and generate over $200 million in capital investment over the next three to five years. Some highlights of the Department's efforts in 2004 include:

TV One

Downtown Silver Spring continued to be a magnet for new business in 2004 as TV One announced in March 2004 that it would move its new world headquarters to the area. TV One, a new cable channel for African American adults which began broadcasting in January 2004, leased 16,000 square feet of office space at 1010 Wayne Avenue. The company opened its doors in June 2004, and committed to bring 50 new high-paying jobs to downtown Silver Spring, with further expansion promised. With the addition of TV One, downtown Silver Spring further enhanced its reputation as an arts and entertainment district that also includes Discovery Communications, the AFI Silver Theater, and Entravision.

Mills Corporation

In February 2004, The Mills Corporation announced it would be relocating its headquarters from Arlington, Virginia to Chevy Chase. Mills, a leading developer and operator of innovative retail and entertainment destinations, will bring over 300 jobs to the County and lease approximately 200,000 square feet in the new Chevy Chase Center. Mills is expected to move into its new facility by the end of 2006.

MedImmune

The Gaithersburg-based drug development company moved into the first phase of its newly constructed facility in 2004. The 150,000 square foot corporate headquarters and 75,000 square foot R&D building took two years to build and cost over $100 million. Over 500 employees work in this facility.

Thales Communications

Thales Communications expanded into its third building in Clarksburg in October 2004. The new building consists of 25,000 square feet and has room for 92 new employees. Thales now occupies nearly 100,000 square feet in Clarksburg, employing over 350 individuals. Thales Communications is the subsidiary of the Thales Group, based in Paris, France, which generates annual revenue of nearly $15 billion. Thales Communications' U.S. operations in Clarksburg is best known for developing and manufacturing high-tech military radios and generated approximately $1.5 billion in sales in 2004.

Nederlander Worldwide Entertainment

Nederlander Worldwide Entertainment, a 90-year-old theater management company, decided to restore and locate in the Bethesda Theater in downtown Bethesda in 2004. The 700-seat theater, which was constructed in the 1930's, will serve as Nederlander's touring headquarters outside New York for the company's off-broadway circuit. The renovation of the theater cost over $6 million and is a key part of a new $62.5 million project that also incorporates an upscale apartment complex and new parking garage. Nederlander chose to locate in Bethesda because of the area's commitment to supporting the arts. This commitment is reflected in Bethesda's designation as an Arts and Entertainment District, which provides companies such as Nederlander with tax benefits and other incentives to encourage cultural projects.

Goodwill Industries

Goodwill Industries International is a network of 207 community-based, autonomous member organizations that serves people with workplace disadvantages and disabilities by providing job training and employment services, as well as job placement opportunities and post-employment support. In 2004, Goodwill expanded its headquarters in Montgomery County by moving into a new $14 million facility in Rockville. Goodwill, which has locations worldwide, employs 50 individuals in Montgomery County.

United Therapeutics

In 2004, United Therapeutics broke ground on a new state-of-the-art 40,000 square foot ovarian cancer lab in downtown Silver Spring. The $15 million facility will house 25 new employees by 2005. This facility will be crucial for the approval of the drug OvaRex, the company's drug for the treatment of ovarian cancer. OvaRex is in the final phases of human trials and upon the FDA's inspection and validation of the new lab facility, the drug will be approved for use by the public. With this approval, United Therapeutics will become just the second homegrown Montgomery County biotechnology company to have two drugs available to the public. Its first drug, Remodulin, is a treatment for pulmonary arterial hypertension.

Human Genome Sciences (HGS)

HGS continues to rapidly expand in and around the Shady Grove Life Sciences Center (SGLSC) in Rockville. In 2004, the company moved into the first phase of its new corporate and research and development campus located on the Traville property adjacent to the SGLSC. Phase I consists of three buildings totaling over 400,000 square feet of office and lab space, as well as a parking garage. Final plans for this new corporate campus call for a total of one million square feet of development spread over seven buildings. HGS is also constructing a new large scale manufacturing plant on the nearby Belward Research Campus and renovating and expanding its 240,000 square foot research center. Total cost for all of these projects is estimated at $526 million.

The Institute for Genomic Research (TIGR)

Construction was completed in 2004 on the fifth building for TIGR in the Shady Grove Life Sciences Center in Rockville. This four-story, 120,000 square foot building features wet and dry lab space and administrative office space. This facility cost nearly $40 million to complete.

SRA International

SRA International in Rockville, a large government contractor employing 3,300 people in the Washington area, expanded its Montgomery County operations in 2004. The company, which currently has over 270 employees in its Rockville facility, committed to adding 100 new County jobs in the next three years. SRA has several bioinformatics contracts with NIH and FDA.

FEDERAL SPENDING

Federal spending remains an important contributor to the Washington area's economy. According to a George Mason University study, total federal spending accounts for over a third of the metropolitan Washington gross regional product. The success of the region's economy is closely linked to the federal economy, and the federal government remains, either directly as an employer or indirectly through federal spending, the primary source of regional economic growth.

The importance of federal spending in the Washington metropolitan region and in Montgomery County in particular is exhibited in the percent of total federal spending targeted to the Washington MSA. While total federal spending in 2003 amounted to $2,061.5 billion nationwide, the Washington MSA received $97.1 billion, a 4.7 percent share. Montgomery County received $13.3 billion, a 0.7 percent share, or $14,400 per person. Even though the overall share of regional compared to national spending has grown modestly to nearly 5 percent, some categories of spending growth are far more significant. For example, the region receives over 13 percent of total federal spending on salaries and wages and services and goods in the private sector through the procurement process. While growth in total federal spending is robust for all categories, by far the strongest growth is in procurement. As the table below shows, this category grew 8.8 percent annually nationwide since 1997, but 11.6 percent for the Washington MSA and 9.6 percent for the County. These data also show that federal procurement spending in Montgomery County achieved significant gains in that period, closely tracking growth in the region as a whole. The more than $13.3 billion in total federal spending in Montgomery County is estimated to represent approximately 30 percent of the gross county product as the federal government boosts economic activity through salaries and wages, transfer payments, and purchases of goods and services with the County's private sector industries. Federal procurement for the County reached $5.7 billion in FY03, an increase of 13.4 percent, which was the highest level for the County in recent history.

(The remainder of this page has been left blank intentionally.)

Table 34
Federal Procurement Trends
1997 - 2003
($ billions)*

Fiscal Year	Montgomery County	Washington MSA	U.S.
2003	$5.7	$44.2	$327.4
2002	5.0	37.3	271.0
2001	3.9	32.3	246.2
2000	3.8	29.2	223.3
1999	3.4	26.2	208.1
1998	3.5	24.4	209.3
1997	3.2	22.0	193.0
Average Annual Percent Change 1997-2003	9.6%	11.6%	8.8%

* Amounts shown in current dollars (not adjusted for inflation).
Source: U.S. Bureau of the Census, Consolidated Federal Funds Report, FY 1997-2003.

RETAIL SALES

Reflecting improved economic conditions, retail sales measured by sales tax data collected for the first nine months of 2004, show strong growth in Maryland and a significant increase in Montgomery County. Compared to the prior year, when retail sales in the County grew 4.0 percent, sales growth increased 6.7 percent during the first nine months of 2004 compared to the first nine months of 2003. With consumer confidence improving in the region, retail sales are traditionally one of the first indicators to reflect such increasing confidence.

Retail sales in Montgomery County reflect a slightly different spending pattern compared to the State. After retail sales in the County improved at a solid pace in the past few years, growing 6 percent (1999) and 7 percent (2000), with growth in 2000 reaching a six-year high, the growth rate declined to 3.8 percent in 2001, increased a modest 0.9 percent in 2002, and grew 4.0 percent in 2003. The growth during 2003 was attributed to an increase in sales of furniture and appliances, and hardware and machinery products, while sales of automotive and building and industry products grew at a lesser rate compared to 2002. Retail sales through September 2004 rebounded significantly reflecting a strong overall growth in the purchases of durable goods. A closer inspection of the numbers reveals that some sectors picked up during the first nine months of 2004, especially building and industrial supplies (up 19.2%).

(The remainder of this page has been left blank intentionally.)

Table 35
Sales & Use Tax Receipts
By Principal Business Activity

	Montgomery County						Maryland	
	2002		2003		Jan.-Sept. 2004		Jan.-Sept. 2004	
	Growth(1)	Share of Total	Growth(2)	Share of Total	Growth(3)	Share of Total	Growth(3)	Share of Total
Food and Beverages	3.3%	23.6%	4.2%	23.6%	6.7%	24.0%	7.2%	20.2%
Apparel	-4.8	6.9	1.6	6.7	2.0	6.2	9.7	4.7
General Merchandise	0.1	17.6	4.6	17.7	5.2	16.1	5.6	16.5
Automotive	3.9	8.3	2.8	8.2	4.6	8.5	4.6	7.4
Furniture & Appliances	-4.2	12.3	4.7	12.5	4.1	12.1	7.9	11.1
Building & Industrial Supplies	5.8	10.1	2.5	9.9	19.2	11.4	18.8	14.9
Utilities & Transportation	7.7	6.7	11.7	7.2	8.5	7.8	9.7	8.2
Hardware, Machinery & Equipment	-4.8	1.6	6.6	1.7	8.3	1.8	10.6	2.7
Miscellaneous	1.2	12.3	0.7	11.9	3.7	11.5	8.8	13.2
Other	-40.6	0.6	0.7	0.6	9.0	0.6	73.3	1.1
Total Retail Sales Tax	0.9%	100.0%	4.0%	100.0%	6.7%	100.0%	9.5%	100.0%

(1) Growth between 2001 and 2002.
(2) Growth between 2002 and 2003.
(3) Growth between the period January through September 2003, and the same period in 2004.

Source: Maryland Comptroller of the Treasury, Revenue Administration Division.

MAJOR RETAIL CENTERS

Montgomery County is served by four regional shopping malls. They are Lakeforest Mall in Gaithersburg, Westfield Shoppingtown Montgomery in Bethesda, Westfield Shoppingtown Wheaton in Silver Spring, and White Flint Mall in North Bethesda.

Lakeforest Mall, located along Maryland Route 355 and Montgomery Village Avenue near I-270, opened in 1978. This 1.1 million square foot mall features 163 stores, including four major department stores: Hecht Company, JC Penney, Lord & Taylor, and Sears Roebuck & Co.

Westfield Shoppingtown Montgomery, formerly known as Montgomery Mall, opened in 1968, and covers 1.6 million square feet of space. It features Nordstrom, Hecht Company, and Sears Roebuck & Co. department stores, 189 other stores, three parking garages, and is served by a Montgomery County Transit Center.

Westfield Shoppingtown Wheaton, formerly known as Wheaton Plaza, is located adjacent to the Wheaton Metro Center at the intersection of Georgia Avenue and Veirs Mill Road in the Wheaton CBD. This was the County's first shopping mall (opened in 1960) and was enclosed and remodeled in 1987. Department stores include Hecht Company, JC Penney, and Target, along with 107 other stores. Macy's will be opening a 180,000 square foot, $30 million store in the mall. In addition to Macy's, Westfield is adding a second level with another 100,000 square feet and 50 new specialty stores to its existing 850,000 square foot mall. Opening of the new Macy's and the expanded and renovated mall is targeted for Spring 2005. The mall recently opened a new 800 space parking garage.

White Flint Mall, which is located east of Rockville Pike in North Bethesda close to the White Flint Metro Station, opened in 1977 and features three enclosed levels, luxury department stores such as Lord & Taylor and Bloomingdale's, plus 130 other stores. The 900,672 square foot mall also features a five-auditorium cinema and a Border's Bookstore.

(This page has been left blank intentionally.)

APPENDIX B

FINANCIAL INFORMATION FOR THE BETHESDA PARKING LOT DISTRICT

(This page has been left blank intentionally.)

The following financial information for the Bethesda Parking Lot District is extracted from and should be read in conjunction with the Comprehensive Annual Financial Reports of Montgomery County, Maryland for Fiscal Years 2000 through 2004 prepared by the County Finance Department. The Financial Statements included in these reports were audited by KPMG LLP, Independent Certified Public Accountants, to the extent and for the periods indicated in their reports thereon. The reports of KPMG LLP expressed reliance on the reports of other auditors.

Balance Sheet

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
ASSETS					
Current Assets:					
Equity in pooled cash & investments	11,291,584	10,598,971	18,868,690	18,847,642	17,773,412
Cash	-	-	-	-	-
Cash with fiscal agent	-	-	156,088	17,458	-
Property taxes receivable	457,875	577,401	547,938	605,289	605,796
Accounts receivable	2,508	3,213	179	5,693	395
Parking violations receivable	989,663	1,091,072	1,597,919	976,764	1,136,479
Due from component units	-	-	-	46,497	-
Due from other governments	-	-	285,823	-	506,943
Due from other funds	-	-	-	-	-
Inventory of supplies	-	-	-	-	-
Prepaids	6,449	7,418	6,707	5,187	4,629
Other assets	-	-	-	-	-
Total Current Assets	12,748,079	12,278,075	21,463,344	20,504,530	20,027,654
Unamortized Bond Costs	374,870	339,023	639,319	592,376	534,107
Restricted Assets:					
Equity in pooled cash and investments	2,450,463	2,471,451	6,837,975	2,848,686	2,759,648
Investments	-	-	-	-	-
Total Restricted Assets	2,450,463	2,471,451	6,837,975	2,848,686	2,759,648
Fixed Assets at Cost:					
Land, improved and unimproved	17,024,191	17,024,191	16,857,718	16,857,718	16,857,718
Buildings	46,814,625	46,814,625	61,585,681	73,966,730	74,722,694
Furniture, fixtures, equipment and machinery	13,182	37,135	61,981	13,182	13,182
Other fixed assets	14,016,632	14,793,353	16,557,925	18,284,453	20,220,816
Construction in progress	-	4,300,267	7,661,212	-	7,027
Subtotal	77,868,630	82,969,571	102,724,517	109,122,083	111,821,437
Less: Accumulated depreciation & amortization	25,528,648	28,399,167	31,399,850	34,493,533	37,888,234
Net Fixed Assets	52,339,982	54,570,404	71,324,667	74,628,550	73,933,203
Total Assets	**67,913,394**	**69,658,953**	**100,265,305**	**98,574,142**	**97,254,612**
LIABILITIES					
Current Liabilities:					
Accounts / vouchers payable	314,489	1,572,031	1,638,750	729,366	1,027,993
Interest payable	97,481	86,492	180,081	125,773	115,550
Retainage payable	181,163	470,995	1,464,524	831,069	32,877
Deposits	28,386	18,510	21,446	29,357	-
Accrued liabilities	101,193	146,809	134,199	134,661	134,040
Current portion of long-term obligations payable:	-	-	-	-	-
General obligation bonds payable	250,000	250,000	250,000	-	-
Revenue bonds payable	1,662,792	1,777,296	3,053,135	3,190,000	3,315,000
Landfill closure costs	-	-	-	-	-
Equipment notes payable	-	-	-	-	-
Due to other funds	4,931	6,255	5,616	9,505	12,338
Due to component units	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	11,899	28,582	51,942	202,890
Total Current Liabilities	2,640,435	4,340,287	6,776,333	5,101,673	4,840,688
Long-Term Obligations:					
General obligation bonds payable	500,000	250,000	-	-	-
Revenue bonds payable	15,726,836	13,949,539	37,160,561	33,970,561	30,731,793
Landfill closure costs	-	-	-	-	-
Equipment notes payable	-	-	-	-	-
Compensated absences	-	-	32,539	30,036	24,304
Total Long-Term Liabilities	16,226,836	14,199,539	37,193,100	34,000,597	30,756,097
Total Liabilities	**18,867,271**	**18,539,826**	**43,969,433**	**39,102,270**	**35,596,785**
NET ASSETS					
Invested in capital assets, net of related debt	-	-	30,860,971	37,467,989	39,886,410
Restricted for debt service	-	-	6,837,975	2,848,686	2,759,648
Unrestricted	49,046,123	51,119,127	18,596,926	19,155,197	19,011,769
Total Net Assets	**49,046,123**	**51,119,127**	**56,295,872**	**59,471,872**	**61,657,827**

Income Statement

	FY2000	FY2001	FY2002	FY2003	FY2004
Operating Revenues					
Sales-net	-	-	-	-	-
Charges for services	5,283,555	6,034,266	7,448,902	7,943,266	7,974,045
Licenses and permits	-	-	-	-	-
Fines and penalties	2,177,277	2,498,879	3,977,908	4,262,084	4,818,740
Total Operating Revenues	**7,460,832**	**8,533,145**	**11,426,810**	**12,205,350**	**12,792,785**
Operating Expenses					
Cost of goods sold	-	-	-	-	-
Personnel costs	1,005,919	1,129,430	1,145,321	1,075,745	1,097,234
Postage			5,557	1,312	932
Insurance			19,830	19,650	30,010
Supplies and materials	235,446	103,109	120,164	120,657	159,434
Contractual services	1,668,049	1,968,587	1,579,310	2,234,924	2,506,107
Communications	17,672	32,730	74,397	47,836	53,915
Transportation	44,020	40,898	50,189	59,365	66,261
Public utility services	433,328	380,627	312,329	383,292	517,111
Rentals	18,219	22,921	21,874	42,258	67,086
Maintenance	476,332	373,333	1,054,086	892,969	612,902
Depreciation and amortization	3,712,427	2,906,366	3,041,449	3,093,682	3,394,701
Bad debt expense	398,308	346,845			
Other	103,007	136,458	53,337	51,112	49,888
Total Operating Expenses	**8,112,727**	**7,441,304**	**7,477,843**	**8,022,802**	**8,555,581**
Operating Income (Loss)	**(651,895)**	**1,091,841**	**3,948,967**	**4,182,548**	**4,237,204**
Nonoperating Revenues (Expenses)					
Property taxes	3,182,206	3,390,866	3,562,543	3,443,038	3,586,445
Intergovernmental	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	343,528	-	-
Investment income	815,196	1,001,804	216,891	407,108	293,535
Interest expense	(1,232,888)	(993,327)	(835,386)	(1,738,881)	(1,619,926)
Other revenue	2,190	-	896,212	94,051	555,748
Total Nonoperating Revenues (Expenses)	**2,766,704**	**3,399,343**	**4,183,788**	**2,205,316**	**2,815,802**
Income (Loss) Before Operating Transfers	**2,114,809**	**4,491,184**	**8,132,755**	**6,387,864**	**7,053,006**
Operating Transfers In (Out)					
Operating transfers in	-	-	-	-	-
Operating tranfers (Out)	(2,040,160)	(2,418,180)	(2,956,010)	(3,211,864)	(4,867,051)
	(2,040,160)	**(2,418,180)**	**(2,956,010)**	**(3,211,864)**	**(4,867,051)**
Net Income (Loss)/Change in Retained Earnings	**74,649**	**2,073,004**	**5,176,745**	**3,176,000**	**2,185,955**
Fund Equity - Beginning of Year	48,971,474	49,046,123	51,119,127	56,295,872	59,471,872
Fund Equity - End of Year	**49,046,123**	**51,119,127**	**56,295,872**	**59,471,872**	**61,657,827**

(This page has been left blank intentionally.)

APPENDIX C

DEFINITIONS OF CERTAIN TERMS
AND SUMMARIES OF LEGAL DOCUMENTS

(This page has been left blank intentionally.)

DEFINITIONS OF CERTAIN WORDS AND TERMS

The following are definitions of certain words and terms used in this Official Statement which are in addition to words and terms used and defined elsewhere herein. Any words or terms used but not defined herein shall have the meanings set forth in the Resolution and the Order.

"Additional Bonds" shall mean any bonds of Montgomery County, Maryland which may be authorized and issued in the future and which are payable solely from the Net Revenues of the Bethesda Parking Lot District on an equal basis with the Series 2005 Bonds and the Outstanding Bethesda Parity Bonds.

"Bethesda Bonds" means, collectively, the Series 2005 Bonds, the Outstanding Bethesda Parity Bonds and any Additional Bonds that may be issued from time to time under the Order.

"Business Day" shall mean a day other than a Saturday, Sunday or legal holiday in the State of Maryland or the City of New York, New York, and observed as such by the County or the Paying Agent.

"Council" shall mean the County Council for the County.

"County Executive" shall mean the County Executive of the County.

"Current Expenses" shall mean and include the reasonable and necessary costs of operating, maintaining, repairing and insuring the Facilities within or operated by the Bethesda Parking Lot District, including, without limitation, salaries, wages, annually appropriated lease payments and costs of materials, supplies and services, but excluding depreciation and principal of and the interest on the Bethesda Bonds or payments to any accounts which may be established by the County Executive as provided by the Order.

"Debt Service Account" shall mean the separate Parking Debt Service Account created for the Bethesda Parking Lot District by the Order.

"Facilities" shall mean the public parking facilities within or operated by the Bethesda Parking Lot District, including (without limitation) parking garages and lots, on-street spaces, parking meters, any additions, enlargements, improvements, extensions, alterations, repairs and replacements thereof, and any fixtures, equipment, personal property, appurtenances and land or other interests in real property relating to such parking facilities.

"Fiscal Agent" shall mean State Street Bank and Trust Company, N.A., or its successor.

"Fiscal Year" shall mean the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve-month period adopted by the County or by law as the official accounting period of the County.

"General Purposes Account" shall mean the Bethesda Parking General Purposes Account created for the Bethesda Parking Lot District by the Order.

"Government Obligations" shall mean direct, non-callable obligations of, or direct, non-callable, non-prepayable obligations the timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America. Government Obligations shall not mean money market mutual funds, even if such funds invest exclusively in direct obligations of the United States of America, or unit investment trusts.

"Investment Obligations" shall mean any obligations that constitute legal investments for the County.

"Net Revenues" shall mean all Revenues of the Bethesda Parking Lot District after deduction of Current Expenses.

"Operation and Maintenance Account" shall mean the Bethesda Parking Operations and Maintenance Account created for the Bethesda Parking Lot District by the Order.

"Order" shall mean Order No. B160-92 of the County Executive passed on February 28, 1992, as amended and supplemented by Order No. B271-05 of the County Executive passed on August 10, 2005, and as further amended and supplemented from time to time.

"Outstanding Bethesda Parity Bonds" means, collectively, the County's Parking System Revenue Refunding Bonds (Bethesda Parking Lot District) Series 2002A, and the County's Parking Revenue Bonds (Bethesda Parking Lot District), Series 2002A.

"Parking Fee Revenues" shall mean all regular and recurring fees, charges or other revenues collected by and payable to or for the account of the Bethesda Parking Lot District for the parking of motor vehicles on or in Facilities, excluding any Special Parking Revenues.

"Parking Fine Revenues" shall mean all revenues collected by and payable to or for the account of the Bethesda Parking Lot District from fines (and any interest or penalty thereon) payable by operators or owners of motor vehicles and resulting from violations of parking rules, regulations, ordinances, and requirements with respect to the Bethesda Parking Lot District.

"Permitted Investments" shall mean the investments specified in Exhibit A to the Order, to the extent permitted by applicable law.

"Person" shall mean an individual, partnership, corporation, trust, or unincorporated organization, or a government, or agency or political subdivision thereof.

"Policy Costs" shall mean draws, expenses and accrued interest under a Reserve Policy.

"Renewal and Renovation Account" shall mean the Bethesda Parking Renewal and Renovation Account created for the Bethesda Parking Lot District by the Order.

"Reserve Account" shall mean the Bethesda Parking Revenue Bond Debt Service Reserve Account created for the Bethesda Parking Lot District by Section 20(c) of the Order.

"Resolution" shall mean Resolution No. 15-931 adopted by the County Council of the County on March 22, 2005, authorizing the issuance of the Series 2005 Bonds.

"Revenue Account" shall mean the Bethesda Parking Revenue Account created for the Bethesda Parking Lot District by the Order and held by the County as a separate, identified account to maintain the Revenues of the Bethesda Parking Lot District.

"Revenues" means the Parking Fee Revenues, Parking Fine Revenues and Special Tax Revenues of the Bethesda Parking Lot District and interest income (excluding income earned from the investment of the proceeds and the investment proceeds of the Series 2005 Bonds, any Additional Bonds and any general obligation bonds of the County payable from unlimited ad valorem taxes in addition to Net Revenues of the Bethesda Parking Lot District) of and lease payments to the Bethesda Parking Lot District from the time that they are received by the County and are placed in the Revenue Account applicable to the Bethesda Parking Lot District.

"Special Parking Revenues" shall mean all revenues collected by and payable to the Bethesda Parking Lot District for the account of a Person other than the District.

"Special Tax Revenues" shall mean all revenues collected by and for the County as special taxes within the Bethesda Parking Lot District pursuant to Chapter 60 of the County Code.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following statements are brief summaries of certain provisions of the Resolution.

General

The Resolution authorizes the issuance of the Series 2005 Bonds to finance and refinance the costs of the Project. The Series 2005 Bonds shall be issued as special obligations and not as indebtedness of the County within the meaning of the Montgomery County Charter or as a pledge of the full faith and credit or taxing power of the County.

Pledge of Certain Special Taxes

So long as the Bethesda Bonds are outstanding and unpaid, the County has covenanted to levy within the Bethesda Parking Lot District the special taxes payable pursuant to Section 60-3 of the Montgomery County Code 1994, as amended, in rate and amount which shall be sufficient in each Fiscal Year to maintain Net Revenues of not less than 1.25 times the amount required for making lease payments on irrevocable or long-term leases relating to Facilities within or operated by such District in such Fiscal Year and paying the maximum principal of and interest (except for capitalized interest) on the Bethesda Bonds and general obligation bonds of the County issued for the financing of Facilities within or operated by such District in such Fiscal Year or any succeeding Fiscal Year.

Executive Order

The County Executive shall specify, prescribe, determine, provide for, or approve, by executive order or otherwise, all matters, forms, documents, or procedures that the County Executive deems appropriate to effect the authorization, sale, security, issuance, delivery, and payment of or for the Series 2005 Bonds, subject to the provisions of the Resolution.

Amendments

The Resolution may be amended or supplemented from time to time as provided in the Order.

SUMMARY OF CERTAIN PROVISIONS OF THE ORDER

The following statements are brief summaries of certain provisions of the Order.

Revenue Account

From and after the delivery of any Bethesda Bonds, and as long as any of the Bethesda Bonds shall be outstanding and unpaid either as to principal or as to interest, or until all of the Bethesda Bonds then outstanding shall have been discharged and satisfied in the manner provided in the Order, the Revenues of the Bethesda Parking Lot District shall be deposited as collected in a separate and special account for the Bethesda Parking Lot District to be known as the "Parking Revenue Account". Money in the Revenue Account shall be allotted and paid into the various accounts hereinafter referred to in the order in which such accounts are listed, on a cumulative basis on or before the 20th day of each month, or on or before the next succeeding Business Day when the 20th day shall not be a Business Day; and if in any month the money in the Revenue Account shall be insufficient to deposit or transfer the required amount in any of the accounts, the deficiency shall be made up in the following month or months after payments into all accounts enjoying a prior claim to the Revenues shall have been met in full. The money in the Revenue Account shall be disbursed into accounts for the Bethesda Parking Lot District only as follows:

(a) *Operation and Maintenance Account*. Money in the Revenue Account shall first be disbursed to make deposits into a separate and special account to pay Current Expenses to be known as the "Parking Operation and Maintenance Account." There shall be deposited in the Operation and Maintenance Account each month an amount sufficient to maintain such account at a level which is equal to 1/6th of the annual appropriation of the County for Current Expenses. Further deposits may be made to this account from the

Revenue Account to the extent necessary to pay Current Expenses accrued and payable to the extent that money is not available in the General Purposes Account.

(b) *Debt Service Account*. Money in the Revenue Account shall next be disbursed to make deposits into a separate and special account to pay principal of and interest on the Bethesda Bonds and general obligation bonds of the County which are payable from unlimited ad valorem taxes in addition to Net Revenues of the Bethesda Parking Lot District, such account to be known as the "Parking Debt Service Account." The amount to be deposited in the Debt Service Account in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bethesda Bonds and such general obligation bonds until the full amount of such installment is on hand plus 1/12th of the installment of principal coming due on such Bethesda Bonds and general obligation bonds on the next succeeding principal payment date, until the full amount of such installment is on hand. Money in the Debt Service Account shall be used solely for the purpose of paying principal of and interest on the Bethesda Bonds and such general obligation bonds as the same shall become due and payable.

(c) *Reserve Account*. (i) As further described in this paragraph, money in the Revenue Account shall next be disbursed to a separate and special account to maintain a debt service reserve in an amount equal to the least of (A) 125% of average annual debt service on the Bethesda Bonds, (B) the maximum annual debt service on the Bethesda Bonds, or (C) 10% of the proceeds of the sale of the Bethesda Bonds which have been issued at that time. Such account shall be known as the "Parking Revenue Bond Debt Service Reserve Account." Prior to the issuance of the Series 2005 Bonds, the Reserve Account has been fully funded with debt service reserve insurance policies issued by Financial Guaranty Insurance Corporation. The Reserve Account shall be fully funded in the required amount from proceeds of the Series 2005 Bonds, except to the extent the County deposits a credit facility with a custodian as described in paragraph (c)(ii). Reserve requirements for Additional Bonds may be funded from available surplus money of the Bethesda Parking Lot District, from proceeds of Additional Bonds or as described in paragraph (c)(ii). If it is necessary to replenish the Reserve Account, any available money from the Revenue Account, the General Purposes Account or the Renewal and Renovation Account may be used to fund the Reserve Account; provided, however, that when the amount in the Reserve Account, together with a credit facility described in paragraph (c)(ii), shall be equal to the reserve requirement stated above, no further deposits need be made into the Reserve Account except to maintain the Reserve Account at such level. Money in the Reserve Account, including any money received under a credit facility described in paragraph (c)(ii), shall be used solely for the purpose of paying principal at maturity of or interest on the Bethesda Bonds for the payment of which insufficient money shall be available in the Debt Service Account, on an equal basis, without any distinction as to time of issuance. Whenever it shall become necessary to so use money in the Reserve Account, the deficiency shall be restored by the County from the first available Revenues in not more than 12 equal and consecutive monthly installments, until the amount in such account, together with any credit facility described in paragraph (ii), shall equal the reserve requirement stated above.

(ii) In lieu of maintaining and depositing money in the Reserve Account, the County may deposit with a bank or trust company designated by the County, as custodian, a letter of credit, surety bond or bond insurance policy in an amount equal to all or a portion of the reserve requirement described above, if the County obtains

(A) the written consent of any bond insurance company insuring any of the Bethesda Bonds to which the letter of credit, surety bond or bond insurance policy applies and (B) written evidence that the surety bond or bond insurance policy is issued by an issuer whose bond insurance policies on municipal bond issues result in the issues being rated in the highest long-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation (collectively, the "Rating Agencies") or the letter of credit is issued by a bank or trust company whose long-term debt obligations are rated by both Rating Agencies within the two highest long-term rating categories and the letter of credit is rated within the two highest long-term rating categories by both Rating Agencies. Any letter of credit, surety bond or bond insurance policy must permit the custodian to draw or obtain amounts under it for deposit in the Reserve Account that, together with any money already on deposit in the Reserve Account, are not less than the reserve requirement described above. If the County deposits the surety bond, letter of credit or bond insurance policy as described in this paragraph (c)(ii), it shall enter into an agreement with the custodian which shall provide that the custodian will make a drawing on the letter of credit or obtain funds under the bond insurance policy or surety bond before its expiration or termination (A) whenever money is required for the purposes for which Reserve Account money may be applied and (B) unless such letter of credit, surety bond or bond insurance policy has been extended or a qualified replacement for it delivered to the custodian, in the event the County has not deposited money in immediately available funds equal to the reserve requirement described above at least two Business Days preceding the expiration or termination of the letter of credit, surety bond or bond insurance policy. If the County provides the custodian with a letter of credit, surety bond or bond insurance policy as provided in this paragraph (ii), the Director of Finance may transfer the corresponding amount of funds then on deposit in the Reserve Account to the appropriate accounts of the County, provided the County obtains (i) an opinion of bond counsel to the County that such transfer of funds will not affect the status of the interest on the Bethesda Bonds as excluded from gross income for Federal income tax purposes, and (ii) the County covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds. Notwithstanding the foregoing, if the County chooses to deposit with the custodian a credit facility in an amount equal to all or a portion of the reserve requirement for any Additional Bonds, the County must obtain the prior written consent of the Person(s) providing the credit facility with respect to the reserve requirement for the Series 2005 Bonds and the Outstanding Bethesda Parity Bonds, which consent shall not be unreasonably withheld.

(d) *Renewal and Renovation Account*. Money in the Revenue Account shall next be disbursed to establish a separate and special account to be known as the "Parking Renewal and Renovation Account." Money in the Revenue Account shall be disbursed into the Renewal and Renovation Account monthly in the amount of $125,000 until the amount on deposit in the Renewal and Renovation Account equals $1,500,000 (or such higher amount as may from time to time be determined to be appropriate for the purposes of this account). When the sum of such initial funding plus the amount of monthly deposits in the Renewal and Renovation Account shall equal $1,500,000 (or such higher amount as may then have been determined to be appropriate), no further monthly deposits need be made into such account except to maintain a balance in the account equal to $1,500,000 (or such higher amount as may then have been determined to be appropriate). Money in the Renewal and Renovation Account shall be used for the payment of the cost of renewals, replacements and renovation of and unusual or extraordinary repairs to Facilities and of engineering and other expenses incurred in connection therewith. Money in the Renewal and Renovation Account may also be used, at the discretion of the County, to make transfers to (i) the Operation and Maintenance Account to pay Current Expenses should money then available in the General Purposes Account be insufficient for such purpose, (ii) the Debt Service Account, in an amount which, together with money transferred thereto from the General Purposes Account, is sufficient to remedy deficiencies in deposits required by the Order, or (iii) the Reserve Account, in an amount which, together with money transferred thereto from the General Purposes Account, is sufficient to remedy deficiencies in deposits required by the Order. If at any time money held in the Renewal and Renovation Account exceeds the amount of $1,500,000 (or such higher amount as may then have been determined to be appropriate), and is not used to replenish the Debt Service Account or the Reserve Account or transferred to the Operation and Maintenance Account, any such excess money shall be transferred to the General Purposes Account. Whenever money in the Renewal and Renovation Account is so used, the monthly payments required above shall be continued or resumed until it shall have been restored to $1,500,000 (or such higher amount as may then have been determined to be appropriate). If at the end of a Fiscal Year the amount in the Renewal and Replacement Account is less than $1,500,000, the Renewal and Replacement Account shall be funded to equal $1,500,000 by money from the General Purposes Account.

(e) *General Purposes Account*. All money thereafter remaining in the Revenue Account at the close of each month shall be deposited in a separate and special account to be known as the "Parking General Purposes Account." Funds deposited in the General Purposes Account may, at the discretion of the County, be transferred to the Operation and Maintenance Account, the Debt Service Account, the Reserve Account, the Renewal and Renovation Account or for any other lawful purpose of the Bethesda Parking Lot District, including, but not limited to, payment of noncurrent expenses such as payments in lieu of taxes, costs of issuance of Bethesda Bonds, and capital expenses.

Money on hand in each of the accounts created by the Order may be invested only in Investment Obligations; provided, however, that money on hand in the Reserve Account shall be invested only in Permitted Investments having a term to maturity of not greater than five years. All such interim investments shall mature before the date on which the money is required for the purposes for which such account was created or otherwise as therein provided. These provisions shall not be construed to require the County to maintain separate bank accounts for the accounts created by the Order; except that each account shall be held in trust by the County for the benefit of the holders of the Bethesda Bonds but may be invested in conjunction with other funds of the County. All income derived from such investments shall be deposited in the appropriate Revenue Account and shall be regarded as Revenues of the Bethesda Parking Lot District. Such investments shall at any time necessary be liquid and the proceeds thereof applied to the purpose for which the respective account was created. The County shall value all investments held in the accounts created by the Order annually at the market value thereof, exclusive of accrued interest. Notwithstanding any other provision of the Order to the contrary, deficiencies in the amount on deposit in any account resulting from a decline in market value shall be restored by the County no later than the succeeding valuation date.

Covenants of the County

(a) *Operation of the Bethesda Parking Lot District*. The County covenants that it will faithfully and punctually perform all duties with reference to the Bethesda Parking Lot District required by the Constitution and laws of the State of Maryland, the Charter and laws of the County, the Resolution and the Order, including the levy of special taxes and the making and collection of reasonable and sufficient rates for services afforded thereby, and will segregate the Revenues and make application thereof into the respective accounts, as provided by the Order. The County further covenants to maintain in good condition and continuously and efficiently operate the Facilities. Restrictions are imposed upon the County with respect to the disposition or leasing of the Facilities and the provision of free parking.

(b) *Rates*. So long as any Bethesda Bonds are outstanding and unpaid, the County covenants to prescribe within the Bethesda Parking Lot District the parking meter or other fees payable pursuant to Sections 31-33 and 60-15 of the County Code in rate and amount which shall be sufficient in each Fiscal Year to maintain Net Revenues of not less than 1.25 times the amount required for making lease payments on irrevocable or long-term leases relating to Facilities within or operated by the Bethesda Parking Lot District in such Fiscal Year, and paying the maximum principal of and interest (except for capitalized interest) on the Bethesda Bonds and general obligation bonds of the County issued for the financing or refinancing of Facilities within or operated by the Bethesda Parking Lot District in such Fiscal Year or any succeeding Fiscal Year.

(c) *Insurance*. The County shall self-insure and/or shall maintain or cause to be maintained insurance on the Facilities of a kind and in an amount adequate and customary for such facilities. The proceeds of any property insurance shall be used to repair or replace the part or parts of the property of the Bethesda Parking Lot District damaged or destroyed or if not so used shall be placed in the Renewal and Renovation Account or may be applied to the early redemption of Bethesda Bonds as provided in an order or orders supplementing the Order.

(d) *Accounting and Audits*. The County will cause to be kept proper books and accounts adapted to the Bethesda Parking Lot District and in accordance with generally accepted accounting practices, and will cause the books and accounts to be audited annually not later than 180 days after the end of each Fiscal Year by an independent certified public accountant. The County shall separately identify and segregate on its books and records Parking Fee Revenues, Parking Fine Revenues and Parking Tax Revenues and shall include in its internal accounting records and in each annual audit line item statements identifying the amount of each such source of Revenues and the amounts pledged, by source, to the payment of the Bethesda Bonds.

(e) *Property*. The County covenants, subject to certain exceptions as set forth in the Order, that it will not sell, lease, mortgage or in any manner dispose of any Facilities, including any and all extensions and additions that may be made thereto, until satisfaction and discharge of all of the Bethesda Bonds shall have been provided for in the manner provided in the Order. However, this covenant shall not be construed to prevent the disposal by the County of Facilities which in its judgment have become inexpedient or unprofitable to use in connection with the Bethesda Parking Lot District, if other Facilities of equal or higher value be substituted therefor, and provided further that the proceeds of the disposition of such Facilities shall be placed in a separate and special account to be used in preference to other sources for capital improvements to the Bethesda Parking Lot District or in the appropriate Renewal and Renovation Account, or applied to the redemption of Bethesda Bonds, except that no such proceeds shall be used to pay scheduled principal of or interest on the Bethesda Bonds or to make payments into the Debt Service Account or the Reserve Account. Any such payments made into the Renewal and Renovation Account shall be in addition to the regular monthly payments and the account balance required for such account in the Order.

(f) *Fidelity Bond*. The County shall maintain fidelity bond coverage on each officer or employee having custody of funds of the Bethesda Parking Lot District of a kind and in an amount which is adequate and customary to be maintained in connection with facilities such as the Facilities.

Tax Covenants

The County covenants that it will take, or refrain from taking, any and all actions necessary to comply with the provisions of Section 103 and Sections 141 through 150, inclusive, of the Code applicable to the Bethesda Bonds in order to preserve the status of the interest on the Bethesda Bonds as excluded from gross income for Federal income tax purposes. Without limiting the generality of the preceding sentence, the County will (a) not use or permit the use of any of the proceeds of the Bethesda Bonds or any of the funds of the Bethesda Parking Lot District in such manner as would cause the interest on the Bethesda Bonds to be included in gross income for Federal income tax purposes, (b) make periodic determinations of the rebate amount and timely pay any rebate amount, or installment thereof, to the United States of America, and (c) prepare and timely file Internal Revenue Service Form 8038-G, Information Return for Tax-Exempt Governmental Bond Issues.

Notwithstanding any other provisions of the Order, if at any time any amount in any of the accounts created by the Order is determined to be subject to payment to the United States of America as a rebate amount pursuant to the provisions of Section 148(f) of the Code each such amount shall be segregated within the applicable account and shall be held, invested and disbursed in conformity with the provisions of Section 148(f) of the Code and the applicable U.S. Treasury Regulations prescribed thereunder.

Remedies

Except as expressly limited in the Resolution and the Order, the holders of the Bethesda Bonds shall have and possess all the rights of action and remedies afforded by the common law, the Charter and laws of the County, the Constitution and statutes of the State of Maryland, and of the United States of America, for the enforcement of payment of their Bethesda Bonds, and of the pledge of the Revenues made pursuant to the Resolution and the Order, and of all covenants of the County made pursuant to the Resolution and the Order. Defaults in the payment of principal, redemption price, or interest on the Bethesda Bonds shall entitle the holders thereof to exercise remedies described in the Order. In determining whether a payment default has occurred or whether a payment on the Bethesda Bonds has been made under the Order, no effect shall be given to payments made under any bond insurance policy.

Additional Bonds

The County covenants that it will not issue other bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the property or Revenues of the Bethesda Parking Lot District having priority over the Bethesda Bonds.

Additional Bonds and general obligation bonds of the County which are payable from unlimited ad valorem taxes in addition to Net Revenues of the Bethesda Parking Lot District may be issued on a parity and equality of rank with the Series 2005 Bonds and the Outstanding Bethesda Parity Bonds with respect to the lien and claim of such Additional Bonds or general obligation bonds to the Revenues of the Bethesda Parking Lot District and the money on deposit in the accounts created by the Order, for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Series 2005 Bonds, Outstanding Bethesda Parity Bonds, Additional Bonds, or such general obligation bonds, or

(b) For the purpose of making extensions, additions, improvements or replacements to the Facilities of the Bethesda Parking Lot District.

(c) Before any such Additional Bonds or general obligation bonds are issued, there will have been procured and filed with the Director of Finance, a statement of an independent parking consultant, financial consultant, or an independent, nationally recognized certified public accountant, not a regular employee of the County, expressing the opinion based upon necessary investigations that the Net Revenues of the Bethesda Parking Lot District for the preceding Fiscal Year for which an audit is available (with allowable adjustments as hereinafter provided) were equal to at least 1.25 times the maximum amount that will be required in any future Fiscal Year for making lease payments on irrevocable or long-term leases, and paying the maximum principal of and interest (except for capitalized interest) on the then outstanding Series 2005 Bonds, Outstanding Bethesda Parity Bonds, Additional Bonds and general obligation bonds of the County issued for the financing of Facilities within or operated by Bethesda Parking Lot District which are payable from the Net Revenues of the Bethesda Parking Lot District and the Additional Bonds or general obligation bonds then proposed to be issued, plus 100 % of the County's obligations with respect to Policy Costs due and owing in such Fiscal Year. For the purpose of determining the Net Revenues of the Bethesda Parking Lot District for the preceding Fiscal Year as aforesaid, the amount of the gross revenues for such year may be adjusted so as to reflect (i) any changes in the amount of the Revenues which would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the issuance of any such Additional Bonds or general obligation bonds been in effect during all of such preceding Fiscal Year and (ii) fifty percent (50%) of the net change in available parking spaces in the Bethesda Parking Lot District resulting or to result from the expenditures of the proceeds of such Additional Bonds or general obligation bonds.

No such Additional Bonds or general obligation bonds shall be issued if any payment or covenant default under the Order shall have occurred and be continuing.

Amendment of Order and Resolution

The Order may be amended or supplemented from time to time and at any time by orders which are consistent with the terms and provisions thereof (which amendatory or supplemental orders shall thereafter form a part thereof) and the Resolution may be amended or supplemented from time to time and at any time by resolutions which are consistent with the terms and provisions thereof (which amendatory or supplemental resolution shall thereafter form a part thereof) and which, in each case, do not adversely affect the interest on the holders of the Bethesda Bonds:

(a) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Order or the Resolution that may be inconsistent with any other provision of the Order or the Resolution, or .

(b) to grant to or confer upon the holders of the Bethesda Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon such holders, or

(c) to add to the conditions, limitations and restrictions on the issuance of Bethesda Bonds under the provisions of the Order or the Resolution or other conditions, limitations and restrictions thereafter to be observed, provided that such conditions, limitations, and restrictions do not impair the security for the Bethesda Bonds, or

(d) to add to the covenants and agreements of the County in the Order or the Resolution other covenants and agreements thereafter to be observed by the County or to surrender any right or power reserved to or conferred upon the County in the Order or the Resolution provided that such covenants and agreements and the surrendering of any such right or power do not impair the security for any Bethesda Bonds, or

(e) to provide for the issuance, sale and delivery of Additional Bonds.

The Order and the Resolution may be amended from time to time for purposes other than those stated above if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the outstanding Bethesda Bonds. However, neither the Order nor the Resolution may be amended without the written consent of 100% of the registered owners of the Bethesda Bonds in such manner as to:

(a) Make any change in maturity or interest rate of the Bethesda Bonds, or modify the terms of payment of principal of or interest on the Bethesda Bonds or any of them, or impose any conditions with respect to such payments;

(b) Materially affect the rights of the holders of less than all of the Bethesda Bonds then outstanding; or

(c) Reduce the percentage of the principal amount of Bethesda Bonds, the consent of the holders of which is required to effect a further amendment.

Whenever the County shall propose to amend the Order or the Resolution in a manner that requires the consent of the registered owners, it shall cause notice of the proposed amendment to be mailed first-class, postage prepaid, to the registered owners of the Bethesda Bonds. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendment is on file in the office of the Director of Finance. Whenever at any time within one year from the date of the publication of said notice there shall be filed with the Director of Finance an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Bethesda Bonds then outstanding, which instrument or instruments shall refer to the proposed amendatory order or resolution described in said notice and shall specifically consent to and approve the passage or the adoption thereof, thereupon, but not otherwise, the County Executive may pass such amendatory order or the County Council may adopt such amendatory resolution and such order or resolution shall become effective and binding upon the holders of all of the Bethesda Bonds.

Any consent given by the holder of a Bethesda Bond as described above shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Director of Finance, provided that the County Executive shall not have passed the amendatory order or the County Council shall not have adopted the amendatory resolution with respect to which consent was given.

Notwithstanding the foregoing, the Order and the Resolution may be amended without the consent of any holder of the Bethesda Bonds for the sole purpose of taking action necessary to preserve the status of the interest on the Bethesda Bonds as excluded from gross income for Federal income tax purposes.

Defeasance

If the County pays the principal, premium (if any) and interest due and payable upon all of the Bethesda Bonds outstanding and pays all other sums payable under the Order by the County, including all necessary and proper fees, compensation and expenses of the Registrar and Paying Agent, then, and in that case, the right, title and interest of the holders of the Bethesda Bonds in the accounts created by the Order shall thereupon cease, determine and become void, the County Executive shall repeal and cancel the Order, and any surplus in the accounts held by the County pursuant to the Order shall be transferred by the Director of Finance to the appropriate accounts of the County. Otherwise the Order shall be, continue and remain in full force and effect.

Notwithstanding the foregoing, if (a) the Paying Agent or a corporate trustee designated by the County holds in trust money or Government Obligations, or a combination of both, that are sufficient in the aggregate to pay the principal of, premium (if any) and interest on all Bethesda Bonds then outstanding to the maturity date or dates of such Bethesda Bonds or to the date or dates specified for the redemption thereof, and (b) if the Bethesda Bonds are due and payable by reason of a call for redemption, irrevocable instructions to call the Bethesda Bonds for redemption shall have been given by the County, and (c) an opinion of a certified public accountant as to the sufficiency of the money and/or Government Obligations held in trust has been given, and (d) if sufficient funds shall also have been provided or provision made for paying all other obligations payable under the Order by the County, and (e) within 30 days after such money, Government Obligations, or a combination of both, have been deposited with the Paying Agent or such corporate trustee, the County causes a notice to be mailed first class, postage prepaid to each registered owner of the Bethesda Bonds, setting forth (i) the date designated for the redemption of the Bethesda Bonds, (ii) a description of the money and/or Government Obligations so held by the Paying Agent or such corporate trustee, (iii) notice that the sufficiency of such money and/or Government Obligations has been certified by a certified public accountant, and (iv) that the Order has been repealed and cancelled in accordance therewith, the Paying Agent or such corporate trustee shall retain such rights, powers and privileges under the Order as may be necessary and convenient in respect of the Bethesda Bonds for the payment of the principal of, interest and any premium on which such money and/or Government Obligations have been deposited, but otherwise the right, title and interest of the holders of the Bethesda Bonds in the accounts created by the Order shall thereupon cease, determine and become void, the County Executive shall repeal and cancel the Order, and any surplus in the accounts held by the County pursuant to the Order shall be transferred by the Director of Finance to the appropriate accounts of the County.

All money and Government Obligations held by the Paying Agent or such corporate trustee as described above shall be held in trust and applied to the payment, when due, of the Bethesda Bonds and obligations payable therewith.

APPENDIX D

PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT

(This page has been left blank intentionally.)

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of [closing date] (the "Disclosure Agreement") is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the "County") in connection with the issuance of its $16,495,000 Montgomery County, Maryland Parking System Revenue Bonds (Bethesda Parking Lot District), Series 2005 (the "Bonds"). The County, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners of the Bonds, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. *Definitions.* In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, Virginia 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORY
Attn: Municipal Dept.
100 Business Park Drive
Skillman, NJ 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
E-mail: Munis@Bloomberg.com

DPC DATA, INC.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-mail: nrmsir@dpcdata.com

FT INTERACTIVE DATA
Attn: NRMSIR
100 William Street
New York, NY 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax)
E-mail: NRMSIR@FTID.com

STANDARD & POOR'S J.J. KENNY REPOSITORY
55 Water Street
45th Floor
New York, NY 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
E-mail: nrmsir_repository@sandp.com

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Reportable Event" shall mean any of the events listed in Section 4a. of this Disclosure Agreement.

"Repository" shall mean each National Repository and the State Depository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission including, by way of example, the staff guidance dated June 23, 1995 to the National Association of Bond Lawyers ("NABL") from Robert L. D. Colby, Deputy Director, and the staff guidance dated September 19, 1995, to NABL from Catherine McGuire, Chief Counsel.

"State Depository" shall mean any public or private repository or entity designated by the State of Maryland as a state information depository for purposes of the Rule. As of the date of this Disclosure Agreement, there is no State Depository.

SECTION 3. *Provision of Annual Financial Information, Operating Data and Audited Information.*

a. The County shall provide to each Repository, the annual financial information and operating data set forth in Tables 3, 4, 5, 7, 8, 9 and 10, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ending June 30, 2005.

b. The County shall provide to each Repository annual audited financial statements for the County, such information to be made available within 275 days after the end of the County's fiscal year, commencing with the fiscal year ending June 30, 2005, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ending June 30, 2005), the County will provide unaudited financial statements within such time period.

c. The presentation of the financial information referred to in paragraph a. and in paragraph b. shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

d. If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in a. and b. above, the County shall send in a timely manner a notice of such failure to each National Repository or to the MSRB and to the State Depository.

e. The County hereby represents and warrants that it has not failed to comply with any prior disclosure undertaking made pursuant to the Rule.

SECTION 4. *Reporting of Significant Events.*

a. This Section 4 shall govern the giving of notices of the occurrence of any of the following Reportable Events with respect to the Bonds, each of which shall constitute a Reportable Event for purposes hereof:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) Modifications to rights of owners of the Bonds;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds; or

(11) Rating changes.

b. Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall as soon as possible determine if such event would constitute material information for owners of Bonds, in accordance with the applicable "materiality" standard under then-current securities laws.

c. If the County has determined that a Reportable Event is material, the County shall file in a timely manner a notice of such occurrence with the National Repositories or the MSRB and the State Depository.

SECTION 5. *Termination of Reporting Obligations.* The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 6. *Amendments.*

a. The County may provide further or additional assurances that will become part of the County's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion, provided that:

(1) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the County as the obligated person with respect to the Bonds, or type of business conducted by the County;

(2) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment does not materially impair the interests of owners of the Bonds, including beneficial owners, as determined by bond counsel selected by the County or by an approving vote of at least 25% of the outstanding principal amount of the Bonds.

b. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of financial information or operating data being provided will be explained in narrative form in information provided with the annual financial information containing the additional or amended financial information or operating data.

SECTION 7. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event.

SECTION 8. *Limitation on Remedies and Forum.*

a. The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to Director of Finance, 15th Floor, Executive Office Building, 101 Monroe Street, Rockville, Maryland 20850, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 3a. or 3b. hereof or a notice of occurrence of a Reportable Event.

b. Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Montgomery County, Maryland.

SECTION 9. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Bonds, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 10. *Relationship to Bonds.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 12. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 13. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 14. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

MONTGOMERY COUNTY, MARYLAND

By: ________________________________
Director of Finance

APPENDIX E

PROPOSED FORM OF
OPINION OF BOND COUNSEL

(This page has been left blank intentionally.)

FORM OF OPINION OF BOND COUNSEL

[closing date]

County Executive and County Council for
Montgomery County, Maryland
Rockville, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to Montgomery County, Maryland (the "County") in connection with the issuance of its $16,495,000 Montgomery County, Maryland Parking System Revenue Bonds (Bethesda Parking Lot District), Series 2005 (the "Bonds"). In such capacity, we have examined such laws and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued under the provisions of the Montgomery County Charter (the "Charter"), Sections 5(P)(2) and 5(P)(3) of Article 25A of the Annotated Code of Maryland (2001 Replacement Volume and 2004 Cumulative Supplement) and Sections 20-47 through 20-54 of Chapter 20 of the Montgomery County Code (1994 Edition, as amended) (collectively, the "Authorizing Legislation"), Resolution No. 15-931 adopted by the County Council of the County on March 22, 2005 (the "Resolution"), and Order No. B-160-92 of the County Executive of the County passed on February 28, 1992, as supplemented by Order No. B-271-05 passed on August 10, 2005 (as supplemented, the "Order"). The terms of the Bonds are as set forth in the Bonds, the Authorizing Legislation, the Resolution and the Order.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the County and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Based on the foregoing, it is our opinion that, under existing law:

(a) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, the Charter, the Authorizing Legislation, the Resolution and the Order.

(b) The Resolution has been duly and properly adopted by the County Council of the County, and is valid and binding on the County. The Order has been duly and properly passed by the County Executive of the County, and is valid and binding on the County. The Resolution and the Order create the valid pledge of and lien on the Net Revenues (as defined in the Order) that they purport to create, subject only to the provisions thereof permitting the withdrawal, payment, setting apart or appropriation thereof for or to the purposes and on the terms and conditions set forth therein.

(c) The Bonds are valid and legally binding special obligations of the County payable solely from the Net Revenues of the Bethesda Parking Lot District (the "District"). The Resolution and the Order contain provisions permitting the issuance of certain additional County bonds on an equal basis with the Bonds (the "Additional Bonds"). The Net Revenues are pledged under and as set forth in the Resolution and the Order for the equal and ratable benefit of the holders from time to time of the Bonds and, to the extent provided in the Resolution and the Order, any Additional Bonds. The Bonds and any Additional Bonds issued within the limitations and provisions of the Resolution and the Order are entitled to the benefit and security of the Resolution and the Order as provided therein.

(d) The Bonds do not constitute a general obligation or a pledge of the faith and credit of the County. The County is not obligated to pay the Bonds or the interest thereon except from Net Revenues to the extent provided in the Resolution and the Order.

(e) Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph (f), we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the County (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

(f) Under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Bonds or the interest thereon.

Other than as set forth in the preceding paragraphs (e) and (f), we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Venable LLP"]