OFFICIAL STATEMENT DATED NOVEMBER 30, 2001

NEW ISSUE: BOOK-ENTRY ONLY

Fitch: AAA
Moody's Investors Service: Aaa
Standard and Poor's: AAA
(See "Ratings")

$146,375,000
MONTGOMERY COUNTY, MARYLAND
General Obligation Bonds
Consolidated Public Improvement Refunding Bonds of 2001, Series A

Dated: November 15, 2001 **Due: October 1, 2003 – 2019**

The $146,375,000 Montgomery County, Maryland Consolidated Public Improvement Refunding Bonds of 2001, Series A (the "Bonds"), are issuable by Montgomery County, Maryland (the "County") in fully registered form in the denomination of $5,000 or any integral multiple thereof. The Bonds will bear interest from November 15, 2001, payable April 1, 2002 (four and one-half months), and semi-annually thereafter on April 1 and October 1 until maturity or earlier redemption. 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 "Paying Agent/Registrar"). Except as otherwise governed by the procedures of The Depository Trust Company, New York, New York ("DTC"), principal of and premium, if any, on the Bonds will be payable to the registered holder when due upon presentation to the Paying Agent/Registrar.

The Bonds are available only in global book-entry form, registered in the name of Cede & Co., as nominee of DTC, acting as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., payment of the principal of, premium, if any, and interest on the Bonds will be made by the County to DTC. DTC is required to remit such payments to DTC participants, who are required in turn to remit such payments to beneficial owners, as described in this Official Statement. **Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds.**

Bonds maturing on or after October 1, 2012 are subject to redemption at the option of the County, prior to their stated maturities. (See "THE BONDS - Redemption Provisions" herein).

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 Bonds, and subject to the conditions stated herein under "Tax Exemptions," under existing law, (a) the interest on the Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the 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 Bonds. It is also the opinion of Bond Counsel that, 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.

BIDS RECEIVED UNTIL:	11:00 A.M., E.S.T., Tuesday, November 27, 2001 (unless postponed as described in the Notice of Sale) By sealed bid or by PARITY 101 Monroe Street, 15th Floor Rockville Montgomery County, Maryland
BIDS CONSIDERED:	11:00 A.M., E.S.T., Tuesday, November 27, 2001 (unless postponed as described in the Notice of Sale)
DELIVERY:	The Bonds are offered for delivery when, as and if issued, subject to the approving legal opinion of Venable, Baetjer and Howard, LLP, Baltimore, Maryland, Bond Counsel, and other conditions specified in the official Notice of Sale for the Bonds. It is expected that the Bonds in definitive form will be available for delivery through DTC in New York, New York, on or about December 20, 2001 (unless postponed as described in the Notice of Sale).

The date of this Official Statement is November 30, 2001.

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 THE MAKING OF AN INFORMED INVESTMENT DECISION.

Maturity Schedule

Maturity Oct.1,	Amount	Rate	Yield or Price	CUSIP
2003	$1,845,000	4.00%	2.32%	613340VX3
2004	5,935,000	4.00%	2.74%	613340VY1
2005	5,890,000	5.00%	3.09%	613340VZ8
2006	5,865,000	5.00%	3.37%	613340WA2
2007	105,000	3.60%	3.63%	613340WB0
2008	6,265,000	5.00%	3.86%	613340WC8
2009	6,270,000	5.25%	4.00%	613340WD6
2010	12,190,000	5.25%	4.10%	613340WE4
2011	12,190,000	5.25%	4.20%	613340WF1
2012	12,190,000	5.25%	4.32%	613340WG9
2013	18,865,000	5.25%	4.44%	613340WH7
2014	18,860,000	5.25%	4.56%	613340WJ3
2015	12,945,000	5.25%	4.64%	613340WK0
2016	6,770,000	5.25%	4.73%	613340WL8
2017	6,750,000	5.25%	4.80%	613340WM6
2018	6,730,000	5.25%	4.88%	613340WN4
2019	6,710,000	5.25%	4.95%	613340WP9

(Accrued interest from November 15, 2001 to be added)

The rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds by a group of banks and investment banking firms at public sale on November 27, 2001. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidders and not from the County.

OFFICIAL STATEMENT DATED NOVEMBER 30, 2001

$146,375,000
MONTGOMERY COUNTY, MARYLAND
General Obligation Refunding Bonds
Consolidated Public Improvement Refunding Bonds of 2001, Series A

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 general obligation 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 general obligation bonds described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

TABLE OF CONTENTS

MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS

COUNTY EXECUTIVE

Douglas M. Duncan

COUNTY COUNCIL

Blair Ewing	*President*
Steven Silverman	*Vice President*
Phil Andrews	
Derick P. Berlage	
Nancy Dacek	
Howard Denis	
Isiah Leggett	
Marilyn J. Praisner	
Michael L. Subin	

The terms of the County Executive and all County Council members expire in December 2002.

APPOINTED OFFICIALS

Bruce Romer	*Chief Administrative Officer*
Timothy L. Firestine	*Director, Department of Finance*
Robert K. Kendal	*Director, Office of Management and Budget*
Charles W. Thompson, Jr.	*County Attorney*
Mary A. Edgar	*Clerk of the County Council*

BOND COUNSEL

Venable, Baetjer and Howard, LLP
Baltimore, Maryland

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)
www.mcmdbonds.emontgomery.org

INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is qualified in its entirety by the detailed information contained in this Official Statement. This summary is only a brief description of the offering and potential investors should review this entire Official Statement. The Official Statement speaks only as of its date, and the information contained herein is subject to change.

Issuer:	Montgomery County, Maryland
Issue:	$146,375,000 Consolidated Public Improvement Refunding Bonds of 2001, Series A (the "Bonds").
Dated Date:	November 15, 2001.
Security:	The Bonds will be general obligation bonds to which the full faith and credit and unlimited taxing power of the County will be pledged.
Purpose:	The proceeds of the Bonds will be used to refund certain of the County's general obligation bonds as described herein. (See "DESCRIPTION OF THE BONDS - Purpose").
Authority of Issuance:	The Bonds are issued under the provisions of the Montgomery County Charter, Section 24 of Article 31 of the Annotated Code of Maryland (1997 Replacement Volume and 2001 Cumulative Supplement) and are authorized to be issued and awarded by a resolution of the County Council for the County adopted on November 20, 2001 and Orders of the County Executive of the County passed on November 20, 2001, as supplemented.
Redemption:	Bonds maturing on or after October 1, 2012, are subject to redemption beginning October 1, 2011, as a whole or in part at any time thereafter. (See "DESCRIPTION OF THE BONDS - Redemption Provisions").
Denominations:	$5,000 or integral multiples thereof.
Paying Agent/Registrar:	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 "Paying Agent/Registrar").
Principal Payments:	Annually, October 1, 2003-2019.
Interest Payments:	Payable on April 1, 2002 (four and one-half months), and semi-annually thereafter on April 1 and October 1 until maturity or earlier redemption.
Tax Status:	Generally exempt from federal and state income taxes (see "THE BONDS - Tax Exemptions").
Book-Entry Only:	The Bonds will be issued as book-entry only securities through The Depository Trust Company, New York, New York.

Professional Consultants:	*Bond Counsel*:	Venable, Baetjer and Howard, LLP Baltimore, Maryland
	Independent Public Accountants:	KPMG, LLP Washington, DC
	Financial Advisor:	Public Financial Management Philadelphia, Pennsylvania
	Escrow Deposit Agent:	First Union National Bank Richmond, Virginia

Delivery: Expected on or about December 20, 2001 (unless postponed as described in the Notice of Sale) at the Depository Trust Company, New York, New York, on behalf of the purchaser of the Bonds.

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

Litigation: There is no litigation now pending or, to the knowledge of County officials, threatened which questions the validity of the Bonds or of any proceedings of the County taken with respect to the issuance or sale thereof.

Continuing Disclosure: The County will covenant to provide continuing disclosure.

Additional details concerning the sale of the Bonds and the refunding are contained in an Executive Order of the County Executive of Montgomery County, Maryland, passed on November 20, 2001, as supplemented, copies of which can be obtained as described herein under the caption "INFORMATION IN OFFICIAL STATEMENT".

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

The information set forth herein has been obtained from the County and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized.

DESCRIPTION OF THE BONDS

Purpose of the Bonds

The proceeds of the Bonds will be used to refund certain maturities of the following general obligation bond issues of the County:

(1) Montgomery County, Maryland Consolidated Public Improvement Bonds of 1991, Series B

(2) Montgomery County, Maryland Consolidated Public Improvement Bonds of 1992, Series A

(3) Montgomery County, Maryland Consolidated Public Improvement Bonds of 1996, Series A

(4) Montgomery County, Maryland Consolidated Public Improvement Bonds of 1997, Series A

(5) Montgomery County, Maryland Consolidated Public Improvement Bonds of 2000, Series A

The maturities of the above issues of bonds being refunded are described in Appendix E and are hereinafter sometimes collectively referred to as the "Refunded Bonds".

Sources and Uses of Funds

The following tables outline refinancing requirements and sources of funds the County will utilize to effect the refunding of the Refunded Bonds.

Sources of Funds:	
Bonds	$146,375,000.00
Original Issue Premium (Discount) on Bonds	9,159,809.10
Total Sources	$155,534,809.10
Uses of Funds:	
Deposit to Escrow for Refunded Bonds	$154,734,082.00
Issuance Costs	800,727.10
Total Uses	$155,534,809.10

Deposit to Escrow Deposit Account

The proceeds of the Bonds, less an amount which will be applied to pay certain costs of issuance, and less accrued interest, will be deposited by the Director of Finance of the County with First Union National Bank (the "Escrow Deposit Agent") in a trust fund (the "Escrow Deposit Account"), to be established under an Escrow Deposit Agreement to be entered into by and between the County and the Escrow Deposit Agent with respect to the Refunded Bonds (the "Escrow Deposit Agreement"). The Escrow Deposit Agent will apply all or part of the funds so deposited in the Escrow Deposit Account to purchase United States Treasury obligations (State and Local Government Series) (hereinafter referred to as the "Government Obligations").

The Government Obligations on deposit in the Escrow Deposit Account will mature at stated fixed amounts as to principal and interest at such times as will, together with cash on hand, be sufficient to pay (1) the interest on the Refunded Bonds accruing to and including their respective redemption dates, and (2) the redemption price of the Refunded Bonds. See Appendix E for a list of the Refunded Bonds and their respective dates of redemption and redemption prices. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein. The Government Obligations on deposit in the Escrow Deposit Account will be pledged only to the payment of the principal of, redemption premium and interest on the Refunded Bonds, and are not available for the payment of principal, redemption premium, if any, or interest on the Bonds.

Security for the Bonds

The Bonds are general obligation bonds of the County and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. Such bonds are payable from ad valorem taxes, unlimited as to rate or amount, on all real, tangible personal and certain intangible property subject to taxation at full rates for local purposes in the County.

Additionally, Section 312 of the Charter of Montgomery County, Maryland provides as follows: "...If at any time the Council shall have failed to appropriate and to make available sufficient funds to provide for the timely payment of the interest and principal then due upon all County indebtedness, it shall be the duty of the Director of Finance to pay, or to make available for payment, to the holders of such indebtedness from the first revenues thereafter received applicable to the general funds of the County, a sum equal to such interest and principal."

Authority for the Bonds

The Bonds are issued under the provisions of the Montgomery County Charter, Section 24 of Article 31 of the Annotated Code of Maryland (1997 Replacement Volume and 2001 Cumulative Supplement) and are authorized to be issued and awarded by a resolution of the County Council for the County adopted on November 20, 2001 and Orders of the County Executive of the County passed on November 20, 2001, as supplemented.

Redemption Provisions

Optional Redemption The Bonds which mature on or before October 1, 2011, are not subject to redemption prior to their respective maturities. The Bonds which mature on or after October 1, 2012, are subject to redemption beginning October 1, 2011, 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 redeemed expressed as a percentage of the principal amount of the bond to be redeemed, set forth in the following table, together with interest accrued to the date fixed for redemption:

Redemption Period (both dates inclusive)	
October 1, 2011 to September 30, 2012	101.0%
October 1, 2012 to September 30, 2013	100.5%
October 1, 2013 and thereafter	100.0%

If less than all of the Bonds of any one maturity are called for redemption, the particular bonds, or portions of such bonds, to be redeemed from such maturity shall be selected by the Director of Finance of the County, acting as bond registrar and paying agent for the Bonds, or his successor as bond registrar and paying agent (the "Bond Registrar/Paying Agent") by lot or other random means in such manner as the Bond Registrar/Paying Agent in its sole discretion may determine, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular bonds or portion to be redeemed shall be selected by DTC, in such manner as DTC shall determine. Each $5,000 portion of a bond shall be treated as a separate bond in the selection of Bonds to be redeemed.

If the County elects to redeem all or a portion of the Bonds outstanding, it shall give a redemption notice to the registered owners of the Bonds to be redeemed by publication at least once at least thirty (30) days prior to the date of redemption in a newspaper of general circulation in the County and also in a financial newspaper or journal circulating in the City of New York, New York. The County shall also give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Bonds to be redeemed at their last addresses appearing on the registration books maintained by the Bond Registrar/Paying Agent; provided, however, that so long as DTC or its nominee is the sole registered owner of the Bonds, any redemption notice will be given only to DTC. The failure to mail such notice with respect to a particular bond or any defect in such notice, or in the mailing thereof, shall not affect the sufficiency of proceedings for the redemption of any other bond. From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Bonds designated for redemption shall cease to bear interest.

Notwithstanding the foregoing, so long as the Bonds are maintained under a book-entry system, selection of the Bonds to be redeemed shall be made in the manner described below under "BOOK-ENTRY ONLY SYSTEM" and notice of redemption shall be mailed only to DTC.

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 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 Bonds. The 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 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 custodial 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 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 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 Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such 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 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 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 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 Paying Agent/Registrar, 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 Paying Agent/Registrar, 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 Bonds at any time by giving reasonable notice to the County or the Paying Agent/Registrar. 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 PAYING AGENT/REGISTRAR, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 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 DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

TAX EXEMPTIONS

In the opinion of Bond Counsel, under existing law, the interest on the 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 Bonds in order for the interest on the Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the 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 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 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 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 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 Bonds.

Other Federal income tax consequences may arise from ownership of the 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 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the 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 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 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 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 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 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 (plus accrued interest from November 15, 2001, to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the 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 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 Bonds.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the 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 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 Bonds.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from OID on the Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible Federal income tax consequences arising from OID on the 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 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 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 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 Bonds and the 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.

CONTINUING DISCLOSURE UNDERTAKING

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 Bonds, the form of which is attached to this Official Statement as Appendix D. Potential purchasers of the Bonds should note that the definition of Reportable Events in Appendix D is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

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

LEGALITY OF THE BONDS

The authorization, sale, issuance and delivery of the Bonds will be subject to legal approval by Venable, Baetjer and Howard, LLP, of Baltimore, Maryland, Bond Counsel, and copies of their unqualified approving legal opinion with respect to the Bonds will be delivered upon request, without charge, to the successful bidder for the Bonds. The opinion will be substantially in the form of the draft opinion attached to this Official Statement as Appendix C.

LITIGATION

The County is currently processing numerous claims for damages and is also a defendant in a number of lawsuits which are expected to be paid, when applicable, through its self-insurance program. Management and legal counsel believe that the self-insurance program is adequately funded to cover such claims and lawsuits to be paid out of the program. In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits and actions arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed $6,375,000. In accordance with generally accepted accounting principles, $875,000 of this amount has been reflected as a liability in the County's audited financial statements, as the County's liability on certain claims appears to be probable; but, in any event, none of such claims and suits will materially affect the County's ability to perform its obligations to the holders of its bonds.

RATINGS

Rating reviews for this issue have been requested from Fitch Inc., Moody's Investors Service, Inc., and Standard & Poor's Rating Group, respectively. 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 such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

INDEPENDENT PUBLIC ACCOUNTANTS

The audited general purpose financial statements of the County for the year ended June 30, 2000, included as Appendix B to this Preliminary Official Statement, have been audited by KPMG LLP (KPMG), independent public accountants, as indicated in their report with respect thereto. In that report, KPMG states that with respect to certain of the County's component units, its opinion is based on the reports of other independent public accountants. The report of KPMG also contains an explanatory paragraph which states that KPMG did not audit certain identified supplementary information and expressed no opinion thereon. Such audited general purpose financial statements have been included in reliance upon the qualification of said firm to issue said report.

AUDITED FINANCIAL STATEMENTS

The County is currently in the process of preparing its audited financial statements for inclusion in its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2001. The audited statements, and the CAFR, are expected to be available in December 2001. When the statements are available, they will be posted to the County's web site at www.mcmdbonds.emontgomery.org. For purposes of general information and past performance, the General Purpose Financial Statements and accompanying Notes for the year ended June 30, 2000 have been included as Appendix B to this Preliminary Official Statement.

FINANCIAL ADVISOR

Public Financial Management of Philadelphia, Pennsylvania, has acted as financial advisor to the County in connection with the issuance of the 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Inc. of Tuscaloosa, Alabama, will verify the mathematical accuracy of the computations performed by Public Financial Management (a) of the adequacy of the maturing principal amounts of and interest on the Government Obligations and cash held in the Escrow Deposit Account established and maintained under the Escrow Deposit Agreement for the payment of the principal of and redemption premium and interest due on the Refunded Bonds, and (b) supporting the opinion of Bond Counsel that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code. Such verification will be based upon data and information supplied to The Arbitrage Group, Inc. by Public Financial Management.

CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer and the Director of Finance of the County will furnish a certificate to the successful bidders for the Bonds to the effect that, to the best of their knowledge and belief, this Official Statement, as of the date of sale and the date of delivery of the Bonds, is true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact, required to be stated or necessary to be stated, to make such statements, in the light of the circumstances under which they were made, not misleading.

INFORMATION IN OFFICIAL STATEMENT

All quotations, summaries and explanations in this Official Statement of State and County laws and the Montgomery County Charter do not purport to be complete and reference is made to pertinent provisions of the same for complete statements. Any estimates or opinions herein, whether or not expressly so stated, are intended as such and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date as of which such information is stated or the date hereof. This Official Statement shall not be construed as part of any contract between the County and the purchasers or holders of its bonds. The County has been advised by Venable, Baejter and Howard, LLP, of Baltimore, Maryland, Bond Counsel, in connection with legal statements contained in this Official Statement; however, Bond Counsel has not passed upon or assumed responsibility for the accuracy of the financial statements and economic data contained herein.

Any questions regarding this Official Statement or the Bonds should be directed to Mr. Timothy L. Firestine, Director, Department of Finance, Montgomery County, Maryland, 101 Monroe Street, 15th floor, Rockville, Maryland 20850, Telephone: (240) 777-8860.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution of this Official Statement and its delivery have been duly authorized by the County. This Official Statement is hereby deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

/s/ BRUCE ROMER
Chief Administrative Officer

/s/ TIMOTHY L. FIRESTINE
Timothy L. Firestine
Director, Department of Finance

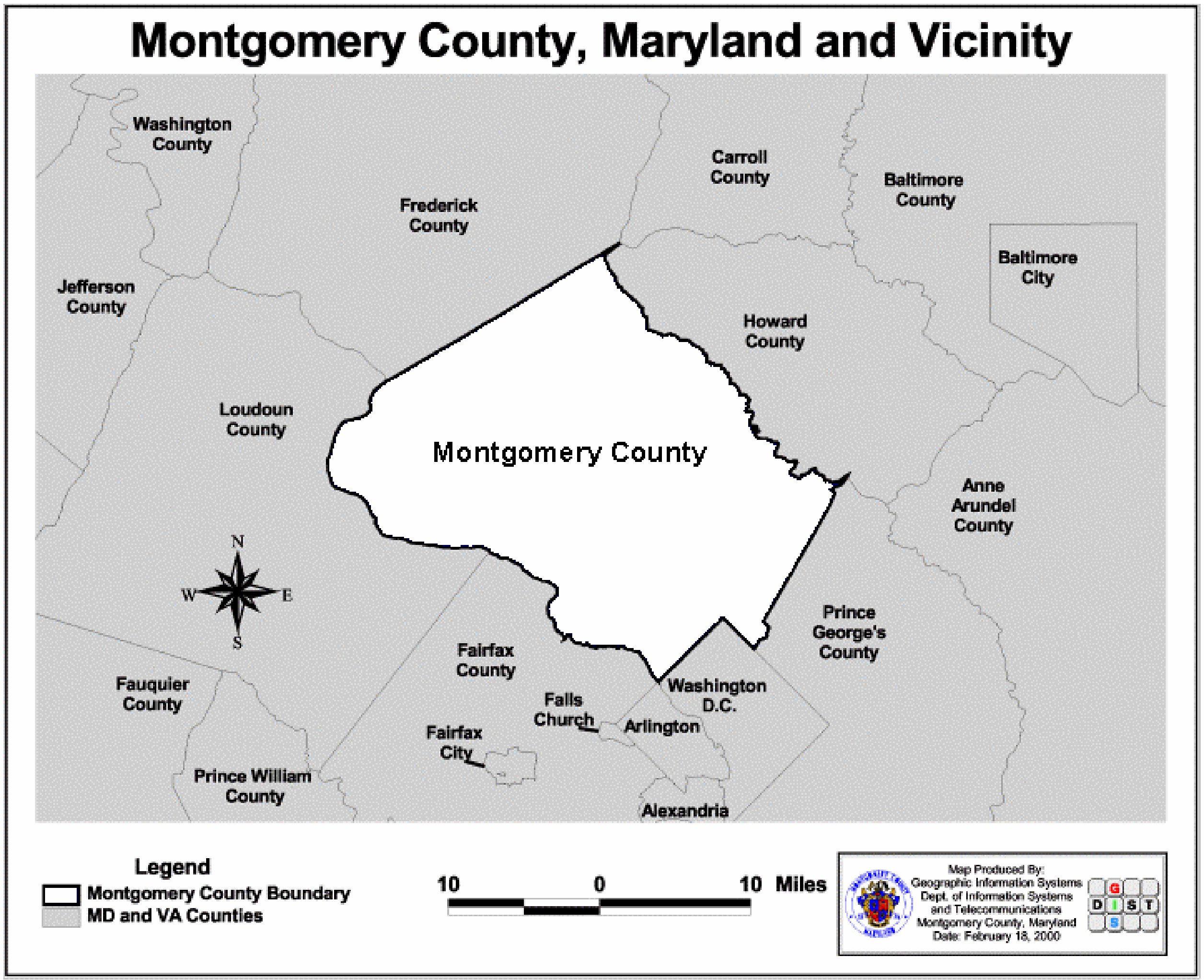
(The remainder of this page has been left blank intentionally.)

(This page has been left blank intentionally.)

APPENDIX A

INFORMATION ABOUT THE COUNTY

APPENDIX A
INFORMATION ABOUT THE COUNTY
TABLE OF CONTENTS



<u>ORIENTATION TO THE COUNTY, ITS HISTORY, AND GOVERNMENT</u>

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 composed 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 have been 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 second term on November 3, 1998, and sworn in on December 7, 1998. 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's post in 1994.

President, County Council – Blair Ewing

Blair Ewing is serving his first term on the Montgomery County Council. He was named Council vice president by his colleagues in December 1999, and president in December 2000. He currently chairs the Council's Health and Human Services Committee, and is a member of the Transportation and Environment Committee.

Mr. Ewing was elected six times to the Montgomery County Board of Education, where he served for 22 years; he twice served as President of the Board. He was a senior executive for 22 of his 28 years of service in the federal government, at the Department of Justice, the Office of Personnel Management, the Office of Management and Budget, and the Department of Defense, where he was Director of Management Improvement for his last 12 years. A community college and university teacher, as well as an adjunct professor at Georgetown Law Center, Mr. Ewing holds a Bachelor of Arts degree from the University of Missouri, and a Master of Arts degree from the University of Chicago, both in political science.

Chief Administrative Officer - Bruce Romer

Bruce Romer has served as Chief Administrative Officer since January 17, 1995. Prior to Mr. Romer's appointment, he served for six years as City Manager for Rockville, Maryland. His 35 years in professional local government management have included 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 Wittenburg University, and a Master of Government Administration Degree from The Wharton Graduate School, University of

Pennsylvania. During the past year, Mr. Romer was President of the International City/County Management Association (ICMA), and will continue to serve on its Board of Directors. He is President, and a member of the Board of Directors, of the Metropolitan Washington Council of Governments. Mr. Romer also serves on the Board of Directors of the District of Columbia Water and Sewer Authority, and is a member of the Urban Consortium Steering Committee of Public Technology, Incorporated.

Director, Department of Finance - Timothy L. Firestine

Timothy L. Firestine was appointed Director, Department of Finance on July 24, 1991 and was confirmed on August 6, 1991. Prior to his appointment, Mr. Firestine served as Chief of the Budgets Division, Chief of Interagency Analysis and Review, Budget and Planning Program Manager and Senior Management and Budget Specialist in the County 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 and Fiscal Policy. Mr. Firestine is a member of the Executive Board of the Maryland Government Finance Officers Association and recently served on the Board of Trustees for Suburban Health Care System, Inc., in Bethesda, Maryland.

Director, Office of Management and Budget - Robert K. Kendal

Robert K. Kendal was appointed Director of the Office of Management and Budget on July 17, 1987. Prior to this appointment, Mr. Kendal served as Chief of the Budgets Division, and for the 12 years prior, served as Assistant Chief Administrative Officer for the County. In his present position, Mr. Kendal is responsible for the annual preparation and administration of the six-year Public Services Program, the Operating and Capital Budgets, and the biennial preparation of the six-year Capital Improvements Program. Both six-year programs and both budgets cover all major agencies of the County.

Mr. Kendal began his government career in 1968 as Director of Finance for the City of Bowie, Maryland, and became a budget analyst for the County three years later. Mr. Kendal received his Bachelor of Arts Degree in Economics from Duke University and did graduate work in public affairs at the University of Pittsburgh. He served in the Peace Corps for two years as an English teacher in Tunisia. Mr. Kendal serves on the County Government's Labor Relations Committee and 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. In the mid-seventies, Mr. Thompson served as a law clerk for the Honorable Kenneth C. Proctor, associate judge, Circuit Court, Baltimore County. He was also an administrative specialist with the Maryland Real Estate Commission. Prior to that time he was an administrator for the Maryland State Board of Censors where he managed the administrative and inspections staff of the Maryland Board of Motion Picture Censors.

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 of the Board of the State and Local Government Law Section of the Maryland State Bar Association from 1981 - 1997. Mr. Thompson also served on the Board of Directors and as President of the County Civil Attorneys group in the Maryland Association of Counties.

GENERAL INFORMATION ABOUT COUNTY GOVERNMENT AND SERVICES

Culture and Recreation

The County Department of Recreation provides a wide range of programs for children and youth, including teen programs, youth sports, camps, and summer playgrounds. The Department also operates 15 community centers that facilitate leisure activity, social interaction, family participation, and neighborhood civic involvement. Four additional community centers are planned for development within the next six years. There are presently six large public outdoor swimming pools and three indoor pools operated by the County. Three indoor aquatic complexes include weight and exercise rooms, meeting rooms, and changing facilities. The Recreation Department also sponsors a number of major special events drawing thousands of residents, such as the International Festival, an Oktoberfest, a 4th of July celebration, community concerts, and a variety of community festivals.

The Strathmore Hall Arts Center, located in the historic Corby Mansion, houses the Strathmore Hall Foundation. The center has undergone a $3 million addition and renovation, and is used for art shows, concerts, and dramatic readings. An additional $5 million was approved in FY99 for the planning and design of a multi-disciplinary education and performance center on a five-acre site adjacent to the Center. The Arts Education facility will house a full range of complementary arts education classes for children and adults. It will combine studio, classroom, rehearsal, and performance space for students. The Performance Hall will be capable of supporting large-scale (2,000 seat) musical presentations including major choral, orchestral, and popular entertainments. Both facilities are expected to open in 2004.

As part of the Silver Spring Redevelopment project, the historic Silver Theatre is currently being restored, with two additional theatres being constructed on the same site. The County has selected the American Film Institute to operate the Theatre. On an adjacent site, a theatre is being constructed for the Round House Theatre School; this facility will operate both theatrical and educational programs. 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 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 incubator, the Maryland Technology Development Center. In addition, DED oversees the County training and employment programs operated by the Workforce Development Corporation, tourism promotion programs operated by the Montgomery County Conference and Visitor's Bureau, and the financial programs of the Small Business Development Center and the Montgomery County Bankers' Small Business Loan Fund.

Existing and prospective new businesses receive an array of professional assistance from DED. This assistance can take the form of site searches, information on zoning, comparative tax data, socioeconomic statistics, and permit expediting. DED maintains an inventory listing of available office, R&D and industrial space in the County. 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

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. In addition to the original Economic Development Grant and Loan Program, three new programs have been added. The Technology Growth Program was developed to facilitate the growth of 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. The Small Business Revolving Loan Program will augment a grant from the Maryland Industrial Land Act to finance economic development projects that cannot be financed from traditional private and public sources due to non-priority industry sectors and/or transaction site. Through these programs, DED works to develop offers of assistance, frequently in close cooperation and coordination with the State of Maryland, and frequently leveraging additional offers of assistance from State sources. 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. The Economic Development Fund is administered by the Department of Finance.

As of November 1, 2001, 109 of 179 offers for grants and loans totaling $13 million have been accepted. The economic impact of these transactions is estimated to include: 29,067 jobs retained or gained; over $1.16 billion in private investment; and an annual net revenue return of over $30.9 million.

Economic Advisory Council (EAC)

This 24-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. In October 2001, the County Executive appointed an Economic Impact Panel, comprised of representatives from the EAC as well as other business and civic leaders from within the County, to assess the impact of the events of September 11 on our local business community and economy, and make recommendations to the County Executive on immediate and long-term programs and policies to address these issues.

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, was 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 70,000 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 companies 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' curriculums feature a wide range of biotechnology and life sciences programs 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 50,000 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 have "graduated" from the MTDC and moved into larger office and laboratory space elsewhere in Montgomery County. The MTDC is currently undergoing an expansion that will add 5,000 square feet of additional office and lab space in the facility.

The success of the Center has 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 have constructed research and manufacturing facilities on the campus, which can hold about 500,000 square feet of development. An additional 100 acres of the Belward Campus is programmed for future development. The Traville site, also adjacent to the Center, will soon be the location for Human Genome Sciences' one million square foot consolidated headquarters, R&D, and manufacturing campus. This project broke ground in the summer of 2001.

Education

The 1990 Census indicated that County residents, on average, continue to be more highly educated than the rest of the nation or the State. The proportion of County residents 25 years old or over completing four or more years of college increased from 33.2 percent in 1970 to 51.9 percent in 1990, compared with 26.5 percent in Maryland. This proportion continued to increase to 59.2 percent in 1997 as indicated by the Maryland-National Capital Park and Planning Commission (M-NCPPC) Census Update Survey. Over thirty percent of the adult population has advanced degrees. In 1990, high school graduates accounted for 90.3 percent of the County population aged 18 and over, considerably above the 79.5 percent proportion in 1970, the 87.3 percent in 1980 and the 78.4 percent in 1980 State-wide and nationally.

The M-NCPPC Census Update Survey indicated in 1997 that high school graduates accounted for 91.6 percent of the adult County population.

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, medical, 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	10,754	4-year, professional
Catholic University	5,597	4-year, professional
Hood College	1,655	4-year, professional
Howard University	10,248	4-year, professional
Johns Hopkins University	17,996	4-year, professional
Montgomery College	42,000	2-year*
University of Maryland	52,582	4-year, professional

* 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. Currently the 19th largest, and 12th fastest-growing, school district in the nation, the system operates 190 elementary and secondary schools. The operating budget is $1.334 billion for FY02, a 9.7 percent increase over the prior year, and the capital improvements budget is $135.6 million. The emphasis that County residents place on education is reflected in per pupil operating expenditures of $9,761 in FY02, and in the high percentage of high school graduates who continue formal education. In FY02, projected enrollment is 136,653 students, 1.3 percent above the previous year. Between 1985 and 2000, 42 schools were built or reopened in response to increasing enrollments.

Facilities and Services

The Division of Facilities and Services, in the Department of Public Works and Transportation, provides facility and administrative services to all departments of the County government. Facility services include design and construction management for capital improvements; leasing support; space planning and alterations; maintenance and operations; physical security; facility engineering support; and parking operations. Administrative services include document duplication and mail operations; recycling; warehousing; food services; and archives. In FY02 the Division has a general fund operating budget of $23.9 million and staff of 192; and an internal services fund budget of $3.6 million and staff of 27.

Libraries

There are 22 libraries located throughout the County. In addition, three bookmobiles provide limited book selections to numerous small communities, and a library is also operated at the County Detention Center. During FY01 nearly 645,000 registered patrons used library facilities, and the collection was approximately 2.85 million volumes; total circulation was almost 10.9 million. Per capita circulation of 12.6 books is among the highest in Maryland and nationally.

Liquor Control

A County monopoly on the sale of all alcoholic beverages was established by State legislation effective in December, 1933. The Liquor Control Board, established in 1933, was abolished on July 1, 1951, and the Montgomery County Department of Liquor Control was established. It is the only county-operated liquor, wine, and beer distribution system in the nation.

The Department's responsibilities include the operation of 24 County retail stores and a County warehouse, with distribution of alcoholic beverages from the warehouse to the County stores and to approximately 800 licensees, including beer and wine stores, restaurants, and clubs. Currently, one private contractor operates three County stores. The Department, with 222 full-time and 28 part-time employees, is a self-supporting business enterprise. All operating requirements are included in the Department's annual budget, and 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 30,000 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, Gaithersburg, Poolesville, and Washington Grove, among others, maintain local parks.

Public Safety

Fire Departments

Fire and volunteer rescue services in the County are provided by 19 independent corporations, which operate 33 fire and rescue stations. The Montgomery County Fire and Rescue Service carries out overall planning, fire prevention programs, operation of a centralized dispatch service, and training, and acts as a liaison between fire departments and other agencies. There are 916 uniformed career employees who man the fire departments in the County, as well as 1,264 trained volunteer firefighters, and 72 trained volunteer paramedics.

Police Department

The Montgomery County Police Department is a highly trained merit system force consisting of 1,072 sworn officers, 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 Public Safety 2000 project. This $135 million effort is aimed at developing a complete mobile data system that includes computers in public safety vehicles, and new systems for computer aided dispatch, record management, automated vehicle location, and mapping. A new Emergency Communications Center to house the new system is under construction. This project also includes the implementation of a new 800Mhz radio system that will accommodate both voice and data transmissions.

The Department is also exploring the emerging Geographic Information System (GIS) and Global Positioning System (GPS) technologies, which are expected to provide a wide variety of analytical capabilities and resource management information.

In FY01 the Police Department opened a new substation in the Gaithersburg/Montgomery Village area. This substation is an initial step toward establishing a sixth police district. It is anticipated that the sixth district will be fully operational within five to six years.

Department of Correction and Rehabilitation

The Department of Correction and Rehabilitation consists of over 500 correctional officers, program staff, and other professionals who provide progressive and comprehensive correctional services through a variety of detention and community supervision programs. The Department operates several facilities, including the Montgomery

County Detention Center (MCDC) and a Pre-Release Center. The MCDC, located in Rockville, houses men and women serving sentences up to 18 months, or awaiting trial or sentencing. In FY02, when the Montgomery County Correctional Facility (MCCF) opens in Clarksburg, MCDC will serve as a 72-hour holding facility, the interim in which most people are bonded out and have an initial court appearance. In FY01, the local inmate average daily population was 717, and the average population at the Pre-Release Center was 135. The local inmate average population is projected to grow to over 1,000 by the year 2020. To meet this need, the County's Approved FY01-06 CIP includes $85 million for the construction of the MCCF, and planning dollars for the renovation and re-use of the MCDC. Funding has been provided in the Approved FY02 Operating Budget to recruit and train staff for the MCCF, and for one-time start-up costs to open that facility.

Solid Waste Management

The County has implemented a comprehensive solid waste management program to handle waste generated in the County. The basic elements of the program are source reduction, recycling, resource recovery and landfill maintenance.

The County continues to strive to meet its aggressive goal of achieving a source reduction and recycling rate of 50 percent. The program includes curbside collection of yardwaste, newsprint and glass, and metal and plastic containers from 198,853 single-family households. County collection of mixed paper from these households was added during the period of March 1999 to August 2000. Municipal collection at another 32,618 single-family homes is expected to contribute mixed paper as well. Under a contract with the County, the Maryland Environmental Service ("MES") constructed and operates two facilities for the processing and marketing of the materials. MES operates 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 effective January 1, 1994. A Materials Recovery Facility, located mid-County, is operated by MES and is capable of processing 200 tons per day of recyclable containers. On December 16, 1998, the County entered into a long-term agreement with Office Paper Systems (OPS) to develop a facility to assure the processing and marketing of all County residential mixed paper. That facility began operation on July 3, 2000. The County has also enacted mandatory multi-family and commercial recycling regulations and works with such properties to design and operate recycling programs.

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 – formerly owned by the Potomac Electric Power Company ("PEPCO") – near Dickerson, Maryland. The facility, with a capacity of 1,800 tons per day, is operated by Ogden Martin Systems of Montgomery Inc., and began commercial operations in August 1995. The RRF generates electricity which is sold under a long term contract to PEPCO. A new landfill (known as Site 2), located approximately two miles from the RRF, is being permitted with adequate capacity for the disposal of all ash, by-pass, and non-processible waste. Under County Council Resolution 13-514, adopted May 7, 1996, the County will continue its permitting efforts, but will not develop the Site 2 landfill unless economic conditions or changes in law render out-of-county waste disposal infeasible. The County began the export of ash and non-processible waste on October 20, 1997. The Oaks Landfill was closed on October 22, 1997.

Transportation

Roads

The Department of Public Works and Transportation's objective is to ensure full, continuous, and safe use of the County's highway system by performing routine, preventive, and emergency maintenance to roads, bridges, sidewalks, curbs and gutters, and storm drainage systems. This section has 292 full-time and 12 part-time positions with a FY02 budget of $20.8 million.

During FY01, the County was responsible for maintaining: 2,490 miles of roads and streets; 1,021 miles of sidewalk; 2,047 miles of curbs and gutters; 823 miles of storm drainage; and 185 bridges.

Ride-On Bus System

The County's Ride-On bus system, designed to complement the service provided by other transit operators in the County, operates on 83 routes. All of those routes serve one or more of the 11 Metrorail Red Line Stations in the County. In Fiscal Year 2001 21.7 million passenger trips took place on the County's system. The entire fleet consists of 243 buses owned and operated by the County, and 83 smaller buses owned and operated by a contractor.

Parking Districts

There are four parking lot districts in the major commercial 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 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 has issued parking revenue bonds in the amount of $55 million for land acquisition, construction, repair and renovation of parking facilities. The four districts collectively have 15 garages with a total of 14,370 parking spaces; 25 surface lots with 2,090 spaces; and 2,170 on-street metered spaces. Two new parking garages, totaling 3,100 new spaces, are planned to be under construction in Silver Spring in FY02. Two new garages are under construction in Bethesda as well – one, totaling 750 spaces, will open in FY02; the other, with 350 spaces, will open in FY03.

Airports

The County is well 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 (Reagan National) is located in Arlington County, Virginia, across the Potomac River from Washington, D.C. Reagan National is accessible to Montgomery County by Metro's Red Line (via a transfer to either the Yellow or Blue Lines). A significant renovation of the airport was completed in 1997, including a new Main Terminal and Middle/North Parking garage. In 2000, the airport served approximately 15.9 million passengers on commercial, general aviation and commuter flights. Formerly a "short-haul" airport only, Reagan National now offers a limited number of non-stop flights to destinations in the western U.S.

Dulles International Airport (Dulles) is located in adjacent Fairfax/Loudoun counties, Virginia, and offers commercial, general aviation and commuter service. Passenger traffic increased 56 percent from 1996 to 2000. Dulles served 20.1 million passengers in 2000, with more than 4.2 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 Beltway. A six-year, $3.4 billion improvement program began in 2000, and will add two parking garages, a fourth runway, a new concourse, pedestrian walkways, and an airport train system.

Baltimore-Washington International Airport (BWI) is located in Anne Arundel County, Maryland. Passenger traffic at BWI increased over 30 percent from 1998 to 2000, with nearly 20 million passengers using the airport in 2000. Also recently renovated and improved, BWI is accessible from the County via the Beltway and either Interstate 95 or the Baltimore/Washington Parkway.

Metrorail Transit System

Services of the Washington Metropolitan Area Transit Authority (Metro) are the backbone of the County's transit system. Eleven rapid rail stations, with 12,000 parking spaces and served by 150 Metrobuses, provide service to County residents, workers, and visitors. 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. County residents make approximately 145,000 Metrorail trips each weekday. In response to Metro parking demands, 2,900 additional parking spaces are under construction in Montgomery County.

Metro is a 103-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, 35.3 miles in Maryland and 29.4 miles in Virginia, and was completed in January, 2001.

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 ten 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 water and sewer system 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 FY01 approved operating budget for WSSC totaled $457.5 million.

Two major sources, the Potomac and Patuxent Rivers, provide the raw water supply. 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. Most of the WSSC sewage flows through a gravity trunk line system 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 expansion of the Seneca Creek Wastewater Treatment Plant, scheduled for completion in the spring of 2003, will increase treatment capacity from 5 MGD to 20 MGD. This facility, located in southern Germantown, will treat wastewater flows from Gaithersburg, Germantown, and Clarksburg.

Maintenance of WSSC property is the function of the Operations Team, which is responsible for systems maintenance, systems reconstruction, electrical/mechanical maintenance, instrumentation/communications, and utilities. WSSC contracts annually for cleaning, removing debris, 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 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 draws raw water from the Potomac River. The City's sewage flows through the WSSC system for treatment at Blue Plains. Average daily demand for water in 1999 was 4.955 MGD; the City is seeking State approval for a raw water withdrawal increase to serve projected growth. The City's allotted capacity at Blue Plains is 9.3 MGD.

The Town of Poolesville also operates its own water and wastewater systems, which serve the majority of the Town. Groundwater wells supply the raw water for the Town's system, 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 seeking State approval for additional groundwater supply and wastewater treatment capacity to serve planned growth in the community.

Financial Institutions

There are 24 national banks and 8 federal savings and loan associations, operating 286 branch bank locations, throughout the County. The 286 branch locations consist of 217 banks and 69 savings institutions. These represent 16.7 percent of the total branch locations within the State of Maryland. Of the 286 branches, 187 (65%) are located in the Silver Spring, Bethesda, Rockville, and Gaithersburg areas of the County. Chevy Chase Bank, F.S.B., is the largest bank in Montgomery County, with 53 locations and $4.6 billion in deposits (11% of total Maryland deposits). Other large banks operating in the County are SunTrust, with 42 locations and deposits of $2.3 billion (5% of total Maryland deposits); Bank of America, 30 locations, deposits of $2.4 billion (6% of total Maryland deposits); and First Union National Bank, 22 locations, deposits of $1.3 billion (3% of total Maryland deposits). These four banks have total deposits of $10.6 billion, or 25.6 percent of the $41.4 billion in deposits within the State. Also, 12 banks -- with 57 branches, deposits of $4.5 billion, and a 10.8 percent state market share – have their corporate offices located within the County. In addition, the County has 25 federal credit unions operating 49 branch locations. The above data were compiled as of June 30, 2001.

Healthcare

Five accredited hospitals are 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 10 other hospitals in the District of Columbia; and 10 hospitals in Northern Virginia.

Travel and Tourism

Travel and tourism generated over $924 million in related expenditures, $275 million in payroll, and 14,000 jobs in the County during 1999. Average annual employment in tourism that year was 14 percent of the State's total tourism employment. Average local tax receipts in 1999 were in excess of $30 million; state tax receipts generated were over $50 million.

The Conference and Visitors Bureau of Montgomery County is a public-private non-profit membership organization dedicated to the promotion of travel and tourism to the County. 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 has been instrumental in helping to establish the Montgomery County Conference Center, an executive-level, state-of-the-art meeting facility to be located adjacent to the White Flint Metro station.

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, CNG 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 2001 only PEPCO had taken advantage of the Customer Choice and Competition Act regarding the disposition of its generation assets. PEPCO had sold these assets in the year 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.

County Employees

The County government work force consists of approximately 7,592 full- and part-time employees. Of this number, 5,305 employees are included in designated bargaining units under the County's collective bargaining laws. The County negotiates with three unions, which have representation rights for four bargaining units. The County bargains with all three unions over wages, fringe benefits, and working conditions. The table below summarizes the current status of County labor agreements.

Table 2
County Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Service, Labor & Trades	1,022	June 30, 2004
Office, Professional & Technical	2,776	June 30, 2004
Police officers	881	June 30, 2003
Non-supervisory fire/rescue workers	626	June 30, 2002

The County has commenced bargaining with the International Association of Firefighters (IAAF), Local 1664 for new agreements to be effective July 1, 2002.

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 employs approximately 21,544 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 3
Board of Education Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Teachers	11,761	June 30, 2004
Professional/Administrative	601	June 30, 2003
Support Services	9,182	June 30, 2003

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 4 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 4
Statement of Direct and Overlapping Debt
As of June 30, 2001

Direct Debt:		
General Obligation Bonds Outstanding	$1,178,708,054	
Short-Term BANs/Commercial Paper Outstanding	125,000,000	
Long-Term Notes Payable	1,625,240	
Revenue Bonds Outstanding	65,505,000	
Total Direct Debt		$1,370,838,294
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,051,206,700	
Housing Opportunities Commission	667,405,604	
Montgomery County Revenue Authority	43,458,735	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	53,298,084	
Kingsview Village Center Development District	2,410,000	
Towns, Cities and Villages within Montgomery County	30,267,817	
Total Overlapping Debt		1,848,046,940
Total Direct and Overlapping Debt		3,218,885,234
Less Self-Supporting Debt:		
County Government Revenue Bonds	65,505,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,051,206,700	
Housing Opportunities Commission	667,405,604	
Montgomery County Revenue Authority	43,458,735	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	17,453,084	
Total Self-Supporting Debt		(1,845,029,123)
Net Direct and Overlapping Debt		$1,373,856,111
Ratio of Debt to June 30, 2001 Assessed Valuation of (100% Assessment)		$78,200,380,285
Direct Debt		1.75%
Net Direct Debt *		1.67%
Direct and Overlapping Debt		4.12%
Net Direct and Overlapping Debt		1.76%
Ratio of Debt to June 30, 2001 Market Value of:		$83,099,737,424
Direct Debt		1.65%
Net Direct Debt *		1.57%
Direct and Overlapping Debt		3.87%
Net Direct and Overlapping Debt		1.65%

* Net Direct Debt of $1,305,333,294 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 6 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 twelve months shall not be subject to, or be included in, computing the County's legal debt limitation. However, the County has included 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 5 below.

Table 5
Statement of Legal Debt Margin
As of June 30, 2001

June 30, 2001 Assessed Valuation – Real Property		$74,122,532,195
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		4,447,351,931
June 30, 2001 Assessed Valuation – Personal Property		$4,077,848,090
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		611,677,214
Total Assessed Valuation – Real and Personal Property		$78,200,380,285
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$5,059,029,145
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$1,178,708,054	
Short-Term BANs/Commercial Paper	125,000,000	
Long Term Notes Payable	1,625,240	
Net Direct Debt		1,305,333,294
Legal Debt Margin		$3,753,695,851
Net Direct Debt as a Percentage of Assessed Valuation		1.67%

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 have been 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 6 below.

Table 6
General Obligation Bonded Debt Ratios
1992 – 2001

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
1992	1.48%	10.57%	$ 1,165	3.37%	66.14%
1993	1.43	9.43	1,242	3.42	68.06
1994	1.46	9.74	1,273	3.40	69.00
1995	1.34	9.96	1,164	3.02	70.00
1996	1.62	10.04	1,391	3.50	70.52
1997	1.47	10.22	1,279	3.14	71.39
1998	1.66	9.71	1,443	3.32	72.58
1999	1.56	9.66	1,387	3.02	72.33
2000	1.64	9.17	1,513	3.11	72.06
2001	1.57	8.72	1,507	2.97	71.83

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

The County's general obligation indebtedness by issue is presented in Table 7. Annual debt service payments for the County's debt are displayed in Table 8. Table 9 sets forth the amount of general obligation bonds authorized to be issued by the County as of June 30, 2001.

Table 7
General Obligation Debt of the County
As of June 30, 2001

Issue	Dated Date	Original Issue Size	Original Interest Rates	TIC*	Maturity	Principal Outstanding June 30, 2001
GO Bonds	11/01/71	$ 30,000,000	0.10-6.50%	4.3163%	1972-01	$ 590,000
GO Bonds	05/01/83	50,000,000	7.00-9.00	7.8999	1984-03	5,000,000
GO Bonds	06/01/84	55,000,000	9.00-9.75	9.3989	1985-04	8,250,000
GO Bonds	05/01/85	65,000,000	7.60-8.60	8.2205	1986-05	13,000,000
GO Bonds	04/01/86	50,000,000	5.80-6.30	6.0956	1987-06	12,500,000
GO Bonds	04/01/91	60,000,000	6.30-6.75	6.5230	1992-11	6,000,000
GO Bonds	10/01/91	70,000,000	5.75-6.125	5.9747	1992-11	10,500,000
GO Refunding Bonds	07/01/92	273,038,054	2.75-5.80	5.7431	1993-10	205,823,054
GO Bonds	10/01/92	115,000,000	5.00-5.75	5.4740	1993-06	34,500,000
GO Refunding Bonds	08/15/93	60,005,000	2.50-5.00	4.9908	1994-11	56,785,000
GO Bonds	10/01/93	100,000,000	4.40-4.90	4.6899	1994-13	65,000,000
GO Bonds	10/01/94	100,000,000	5.20-6.125	5.7958	1995-08	40,000,000
GO Bonds	03/15/96	120,000,000	5.10-5.50	5.2946	1997-16	90,000,000
GO Bonds	04/15/97	115,000,000	5.00-5.375	5.3226	1998-17	92,000,000
GO Refunding Bonds	01/01/98	69,510,000	3.90-5.25	4.6400	2003-15	69,510,000
GO Bonds	04/01/98	115,000,000	4.875	4.7607	1999-18	97,750,000
GO Bonds	04/01/99	120,000,000	4.00-5.00	4.4764	2000-19	108,000,000
GO Bonds	01/01/00	130,000,000	5.00-6.00	5.4853	2001-20	123,500,000
GO Bonds	02/01/01	140,000,000	4.00-5.00	4.5447	2002-21	140,000,000
Total						$1,178,708,054

* True Interest Cost.

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

Table 8
Summary of General Obligation Bond
Debt Service Requirements by Fiscal Year
As of June 30, 2001

Fiscal Year	General Obligation Bonds Principal	Interest	Total
2002	$ 99,530,000	$ 59,472,315	$ 159,002,315
2003	99,105,000	54,160,158	153,265,158
2004	96,620,000	48,650,440	145,270,440
2005	93,650,000	43,433,482	137,083,482
2006	90,170,000	38,465,672	128,635,672
2007	87,445,000	33,690,654	121,135,654
2008	87,220,000	29,261,920	116,481,920
2009	67,471,683	37,584,232	105,055,915
2010	64,272,086	30,413,579	94,685,665
2011	61,159,285	22,202,505	83,361,790
2012	56,635,000	16,677,540	73,312,540
2013	52,995,000	13,955,020	66,950,020
2014	47,125,000	11,311,880	58,436,880
2015	42,060,000	9,051,567	51,111,567
2016	37,000,000	6,914,312	43,914,312
2017	31,000,000	5,013,438	36,013,438
2018	25,250,000	3,417,813	28,667,813
2019	19,500,000	2,113,750	21,613,750
2020	13,500,000	1,090,000	14,590,000
2021	7,000,000	350,000	7,350,000
Total	$1,178,708,054	$467,230,277	$1,645,938,331

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

Table 9
General Obligation Bonds Authorized – Unissued
As of June 30, 2001

Purpose	Chapter	Act	Amount	Amount Unissued
General County, Parks, and	19	1998	$113,400,000	$ 73,890,000
Consolidated Fire Tax District	18	1999	33,500,000	33,500,000
	22	2000	78,300,000	78,300,000
			225,200,000	185,690,000
Road & Storm Drainage	19	1998	77,000,000	39,010,000
	18	1999	30,000,000	30,000,000
	22	2000	77,600,000	77,600,000
			184,600,000	146,610,000
Public Schools and	18	1999	57,800,000	3,113,000
Community College	22	2000	82,900,000	82,900,000
			140,700,000	86,013,000
Mass Transit	19	1998	500,000	105,000
	18	1999	400,000	400,000
	22	2000	1,400,000	1,400,000
			2,300,000	1,905,000
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			$571,745,000	$433,918,000

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 seven years, and planned for substitution over the five years beginning FY02, are displayed below.

Table 10
PAYGO Substitutions
(Actual FY95-01, Budgeted FY02-06)

Fiscal Year	PAYGO Amount	Fiscal Year	PAYGO Amount
1995	$ 13,253,439	2001	$ 40,705,000
1996	7,000,000	2002	61,795,000
1997	3,925,000	2003	44,500,000
1998	13,000,000	2004	34,500,000
1999	13,400,000	2005	30,000,000
2000	24,600,000	2006	30,000,000

Short-Term Bond Anticipation Notes/Commercial Paper

The County utilizes Bond Anticipation Notes/commercial paper (BANs) for short-term capital financing of capital expenditures with the expectation that the principal amount will be refunded with the proceeds of long-term general obligation bonds. Interest costs incurred are usually at lower rates than with longer 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 program that matures on June 30, 2002. 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, 2000 through June 30, 2001 are presented in Table 11 below.

Table 11
Bond Anticipation Notes Outstanding
As of June 30, 2001

Issue	Balance July 1, 2000	BANs Issued	BANs Retired	Balance June 30, 2001
BAN Series 1995-F	$ 32,000,000	$ --	$ 32,000,000	$ --
BAN Series 1995-G	38,000,000	--	38,000,000	--
BAN Series 1995-H	90,000,000	--	70,000,000	20,000,000
BAN Series 1995-I	--	105,000,000	--	105,000,000
Total	$160,000,000	$105,000,000	$140,000,000	$125,000,000

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 have been reloaned to a private corporation, for purposes of relocation to and renovation of facilities in the County. If certain conditions are met, $150,000 of the loan may be 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 bonds 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 have been used in the Bethesda and Silver Spring Parking Districts, supported by parking fees and fines, together with parking district property taxes. County revenue bonds have also been 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 12. Annual debt service payments for the County's revenue bond debt are displayed in Table 13. Table 14 sets forth the amount of revenue bonds authorized to be issued by the County as of June 30, 2001.

Table 12
Revenue Bond Debt of the County
As of June 30, 2001

Issue	Dated Date	Original Issue Size	Original Interest Rates	TIC*	Maturity	Principal Outstanding June 30, 2001
Parking Refunding Revenue Bonds	04/15/92	$ 52,730,000	2.75%-6.25%	6.0966%	1992-09	$ 29,155,000
Solid Waste System Revenue Bonds	03/15/93	50,680,000	3.50%-5.875%	5.7836%	1994-13	36,350,000
Total						$ 65,505,000

* True Interest Cost.

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

Table 13
Summary of Revenue Bond Debt Service Charges by Fiscal Year
As of June 30, 2001

	Revenue Bonds		
Fiscal Year	Principal	Interest	Total
2002	$ 5,640,000	$ 3,875,896	$ 9,515,896
2003	5,975,000	3,556,366	9,531,366
2004	6,340,000	3,211,786	9,551,786
2005	6,730,000	2,843,611	9,573,611
2006	7,150,000	2,445,981	9,595,981
2007	7,605,000	2,014,094	9,619,094
2008	5,395,000	1,549,581	6,944,581
2009	5,750,000	1,223,831	6,973,831
2010	3,415,000	876,550	4,291,550
2011	3,620,000	675,919	4,295,919
2012	3,830,000	463,244	4,293,244
2013	4,055,000	238,232	4,293,232
Total	$ 65,505,000	$ 22,975,091	$ 88,480,091

Table 14
Revenue Bonds Authorized - Unissued
As of June 30, 2001

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	35,000,000
			86,163,000	77,088,000
Solid Waste Disposal	12-1010	1993	56,935,000	6,255,000
Total Revenue Bonds			$143,098,000	$ 83,343,000

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, commercial paper/bond anticipation notes, 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 has 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 has 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, an elderly rental housing project, 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 land for 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 have issued long-term obligations to fund various public amenities such as road and sewer improvements.

Special Taxing Districts

Two development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The West Germantown Development District was created by Council Resolution 13-1135 during FY98 and the Kingsview Village Center Development District was created by Council Resolution 13-1377 in FY99. The creation of the development districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County with high priority for new development or redevelopment.

Pursuant to the Development District Act, 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. The County is authorized to issue $4.5 million in special obligation bonds for the Kingsview Village Center Development District and $20 million in special obligation bonds for the West Germantown Development District. See also "NEW CONSTRUCTION – Development Districts" below.

Bonds for the Kingsview Village Center Development District were issued in December 1999. The County and developers are currently preparing for a January 2002 issuance of special obligation bonds for the West Germantown Development District.

(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 $9,170,000 for FY01. Long-term leases with the Montgomery County Revenue Authority are subject to annual appropriations, but are related to the debt service on bonds that the Revenue Authority issued on the County's behalf.

Following is a listing of significant lease agreements for FY02:

Payee	Location	Use	Total Rent For FY02
Rockville Center, Inc.	255 Rockville Pike, Rockville	Various Agencies	$2,190,048
Montgomery County Revenue Authority	Indoor Swim Centers	Recreation	1,370,395
Crimson Partners	7300 Calhoun Place, Derwood	Juvenile Assessment Center	1,009,000
ARE – 20/22/1300 Firstfield Quince Orchard LLC	1300 Quince Orchard Blvd., Gaithersburg	Emergency Communications Center	715,000
Montgomery County Revenue Authority	1301 Piccard Drive, Rockville	Health & Human Services	637,708
Montgomery County Revenue Authority	Rockville Pike at White Flint Metro	Conference Center (Land)	561,403
Argo Orchard Ridge, LC	101 Orchard Ridge Dr., Gaithersburg	Facilities & Services	521,300
Wellstone Corp.	1335 Piccard Drive, Rockville	Health Center	482,724
12500 Ardennes Avenue LP	12500 Ardennes Avenue, Rockville	Corrections	413,055
The Gudelsky Co.	8630 Fenton Street, Silver Spring	Health Center	400,197
Washington Real Estate Investment Trust	51 Monroe Street, Rockville	Various Agencies	267,322
SJS Realty Management, Inc.	18749 Frederick Road, Gaithersburg	Police/District 6	231,188
McShea Gaither Road Limited Partnership	9125 Gaither Road, Rockville	Police/S.O.D.	225,377
Shady Grove Associates II	9210 Corporate Boulevard, Rockville	Police/S.I.D.	217,505
Town of Chevy Chase	4301 Willow Lane, Chevy Chase	Leland Community Center	215,775
Beall Avenue Limited Partnership	255 N. Washington Street, Rockville	Commission for Women, False Alarm Reduction Unit	205,785
Betty B. Casey Trust	8536 Anniversary Circle, Rockville	Records Center	183,151
Rockville Business Center	110 N. Washington Street, Rockville	Various Agencies	169,541
Milford Mill Limited Partnership	19627 Fisher Avenue, Poolesville	Poolesville Library	154,500
Halcyon Associates	8663 Grovemont Circle, Gaithersburg	Fire & Rescue/Bomb Squad	146,500
Washington Real Estate Investment Trust	600 East Jefferson St., Rockville	Community Use of Public Facilities	141,795
Betty B. Casey Trust	8516 Anniversary Circle, Rockville	Warehouse	130,493
Douglas Development	8715 Colesville Road, Silver Spring	Police/C.B.D. Drop-in	127,410
Spring Street Associates, LP	1109 Spring St., Silver Spring	Various Agencies	125,981
TrizecHahn Silver Spring Metro Plaza	8401 Colesville Rd., Silver Spring	Commuter Services	106,362
4848 Cordell Avenue Partnership	4848 Cordell Avenue, Bethesda	Crisis Center	105,455

CONDITIONAL PURCHASE AGREEMENTS

The County entered into a conditional purchase agreement dated June 1, 2001 with 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 County 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 103-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 11 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 or account groups, 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/retained earnings, 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.

The Montgomery County Comprehensive Annual Financial Reports ("CAFR") for all fiscal years since 1972, and as early as 1951, have been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada ("GFOA"). 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 Fiscal Year 2001 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 General Purpose Financial Statements (refer to Appendix B for statements as of June 30, 2000).

Basis of Accounting

The financial operations of the Governmental Funds (i.e., General, Special Revenue, Debt Service, and Capital Projects) and the Expendable Trust and Agency funds are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liabilities are incurred, except for principal and interest on long-term debt which are recorded when due. In addition, an encumbrance system is employed in the Governmental Funds to account for expenditure commitments resulting from approved purchase orders and contracts.

The financial operations of the Proprietary Funds (i.e., Enterprise Funds and the Internal Service Funds) and Pension and Non-Expendable Trust Funds are maintained on the accrual basis of accounting, in which all revenues are recorded when earned, expenses are recorded at the time liabilities are incurred, and allocations of interest and depreciation/amortization are recorded for the fiscal period.

ANNUAL BUDGETS

Operating Budget and Tax Rates

On May 24, 2001 the County Council approved the FY02 operating budget comprising the County Government, MCPS, the College, M-NCPPC and the various fire departments aggregating $2.372 billion. This budgetary level represents an increase of 2.4 percent over the adopted budget for FY01. Beginning in FY02, the County did not appropriate the expenditures for operations and debt service of the Washington Metropolitan Area Transit Authority (WMATA). The WMATA funding, which comes from the State of Maryland, totaled $64,267,280 in the FY01 budget. If these costs had been included in FY02, the change between FY01 and FY02 aggregate operating budget would be a 5.4 percent increase.

The FY02 operating budget provides the greatest share (50.6 percent) of total resources to Montgomery County Public Schools, including funding necessary for an estimated 1,556 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, recreation, parks, arts, and library programs are funded for important improvements in FY02, as well as technology and compensation improvements.

The approved FY02 budget provided for an undesignated surplus of $61.2 million in the General Fund and $74.4 million across all tax supported funds. For FY02, the Council did not change the County-wide real property tax rate of $1.021 per $100 of assessed valuation. The Council approved a $0.001 decrease in the County-wide personal property tax rate, from $2.552 to $2.551 per $100 of assessed valuation. Personal property is assessed at 100 percent of full market value; real property in Maryland had been assessed at 40 percent of full market value since FY92, but effective FY01 real property was assessed at 100 percent, with a corresponding decrease in the appropriate tax rate. The County income tax rate in tax year 2001 is 2.92 percent of Maryland taxable income.

Capital Budget/Capital Improvements Program

The County Council approved the FY02 Capital Budget and Amendments to the FY01-06 Capital Improvements Program for the County Government and the required agencies, except for WSSC, aggregating $2.02 billion for FY01-06. This approved program provided for County bond funding aggregating $972.7 million over the amended six-year period FY01-06. The Council approved a Capital Improvements Program for WSSC totaling $500.7 million for FY02-07.

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 FY02 Capital Budget and the amended FY01-06 CIP is $9,935,000. 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 FY01, the general County property tax, levied on all assessable property in the County at the rate of $1.857 per $100 of assessed valuation, generated $623.8 million, or approximately 36 percent of the total County General Fund operating revenue requirements – down from a 47 percent share five years ago.

For FY01, the largest revenue source in the General Fund was the local income tax. This tax, which is levied by the County Council at a rate of 2.9 percent and administered by the State, generated $812.4 million in FY01 or 47 percent of the total County General Fund operating revenue requirements – up from a 38 percent share five years ago. This increase is due to strong economic growth, employment expansion, and strong equity market returns.

Status of the General Fund

Montgomery County concluded the fiscal year ended June 30, 2001 with an undesignated General Fund balance of $59.3 million, a decrease of $16.1 million from the balance of the previous fiscal year. Primarily due to stronger than anticipated revenue growth, the total fund balance of $264.0 million by year-end exceeded the targeted three percent reserve projected in the FY01 Budget. Also due to higher than expected tax revenues, the Revenue Stabilization Fund (RSF) grew to $79.5 million – the maximum fund size for that fiscal year.

General Fund Revenues

General Fund revenues totaled $1,734.6 million and were 4.3 percent above the budget estimate for the year. Revenues reflect a 4.5 percent growth over the prior fiscal year. Compared to the budget estimate, the largest contributor to the revenue growth occurred in the tax category. In fact, collections from all taxes exceeded the budget estimate by $75.1 million (5.0 percent), representing 105 percent of the excess revenues for the year. The County income tax, fueled by a continued strong growth in employment and modest growth in tax liability from stock market trades, contributed the majority of the excess tax collections, as receipts came in $43.1 million (5.6 percent) higher than the budget estimate. The booming real estate market resulted in unanticipated growth in transfer and recordation tax receipts, with a combined $11.5 million (12.7 percent) excess revenue stream for the year. Higher than expected receipts from the combined income tax and real estate taxes, explain 76 percent of the variance between the budgeted General Fund revenues and actual receipts. Reflecting stronger than projected assessable base growth, the property tax collections came in 2.9 percent above the budget estimate. The continued strength of the regional economy contributed to better than expected revenues from the telephone (14.4 percent) and hotel/motel (16.6 percent) tax, while the fuel/energy tax came in close to the estimate (2.1 percent). By contrast, due to a correction by the State Comptroller for an overpayment made in the prior fiscal year, the admissions tax (-16.5 percent) came in well below the budget estimate for the year. Reflecting, in part, a 10 percent drop in portfolio balance, General Fund investment income came in $5.0 million below the budget estimate, contributing 7.0 percent to the total General Fund revenue variability in fiscal year 2001. All other categories came in close to the projected budget amounts with minor contributions to total General Fund variability. These categories include Fines and Forfeitures (1.9 percent), Charges for Services (0.8 percent), Miscellaneous (0.6 percent), Licenses and Permits (0.3 percent), and Intergovernmental (1.1 percent). Moreover, in contrast to prior fiscal years, the variability between budgeted and actual amounts was considerably lower in FY01. For example, while the variance ranged between 8 and 9 percent in the three prior fiscal years, that variability declined to just 4 percent in FY01.

The county income tax received another boost from a rapidly expanding employment base and strong wage gains. By contrast, growth in capital gains income from stock market trades, as well as stock options, weakened considerably in FY01. The latter two categories had contributed significantly to the double-digit growth rates for the income tax in the prior four fiscal years and to the substantial variance between budgeted and actual amounts in those years. As a result of the significant drop in capital gains growth, revenues increased 6.7 percent in FY01 – the slowest increase since FY96. Because of Montgomery County’s high concentration of wealthy taxpayers, the County receives a large share of non-wage income, amounting to roughly 30 percent of taxable income. This partly explains the strong growth, on average 12.2 percent, between FY97 and FY00, when stock markets grew at an unprecedented rate, but also explains the sharp decline in growth when the same stock markets fell sharply during most of FY01.

Compensating for the weaker non-employment income conditions, employment and wage growth rebounded in the County in FY01. The number of jobs in the County jumped 4.9 percent in 2000, with 5.7 percent growth in private sector jobs – twice the growth rate in 1999. Combined with average wage growth of 5.8 percent, reflecting the tight labor market in the County, the expanding employment base was the primary source of growth in income tax receipts. In contrast to the prior five fiscal years, when receipts grew between 19 and 29 percent, last year’s growth slowed to 5.7 percent. As a result of these trends, collections were $812.4 million, or $43.1 million above the original budget estimate. A mid-year revision for FY01 captured all of the increase, while subsequent data suggest that the estimate for the next fiscal year remains on track. In fact, the mid-year revision with 6.8 percent growth modestly overstated the actual growth rate of 6.7 percent.

Property tax collections in the General Fund of $623.8 million exceeded the budget estimate by only 2.9 percent. The variance between the original budget forecast and final receipts is attributed to stronger than projected growth in the assessable base. Primarily due to significant growth in new construction and higher reassessment growth, the real property tax base grew 3.4 percent in fiscal year 2001. New construction occurred mainly in the residential sector and reflected the sharpest jump in construction activity in the post-1990 recession period in Montgomery County. In addition, construction in the commercial sector increased to a nine-year high in FY01. Following a 3.6 percent decline in the personal property base (roughly 12 percent of the total base) in FY98, personal property expanded in subsequent fiscal years, growing 2.8 percent (FY99), 3.2 percent (FY00), and 5.1 percent (FY01). Hence, despite the continued negative impact from changes in tax law pertaining to the depreciation of computer equipment and an expanded number of exemptions, the robust economy resulted in a net increase in the personal property tax base over the past few years. Corporate personal property jumped 6.4 percent to reach an all-time high, while personal property for utility companies, despite an anticipated decline due to electric deregulation, grew 3.7 percent in FY01. As a result of solid growth in both real and personal property, the total assessable base grew 3.6 percent in FY01.

The third major tax category in the County is the combined transfer and recordation taxes. Tax collections of $102.4 million reached an all-time high in FY01 and exceeded the budget estimate by 12.7 percent. A mid-year revision of the FY01 revenue estimate for the aggregate real estate category reflected a significant share of the variance observed at the end of the fiscal year. Following a period of lackluster growth, receipts jumped 40 percent in FY98. As the real estate market continued to improve, this tax category experienced another 12 percent increase in FY99, moderating to 7 percent growth in FY00, and just 2.6 percent in FY01. However, even though combined transfer and recordation taxes grew a modest 2.6 percent, only the recordation tax grew 7.7 percent, while the transfer tax fell 0.1 percent in fiscal year 2001. Some of the stronger growth in recordation taxes is related to a jump in mortgage refinancing, which does not impact the transfer tax, and the transfer of the administration and collection of the recordation tax from the Circuit Court to the Montgomery County Department of Finance. The transfer of administration is expected to have resulted in increased collections in the final month of the fiscal year as the Circuit Court accelerated postings of receipts to ensure that all tax collections were posted prior to transferring the administration to the Finance Department. However, this is a one-time only increase. In contrast to FY98 when transfer tax revenues grew from an exceptionally strong residential and commercial real estate market, only the residential portion continued to grow in subsequent fiscal years while collections from commercial transfers remained on a downward trend. Tax collections from residential transfers jumped another 25 percent (FY99), 11 percent (FY00), and slowing to just 1.8 percent in FY01 to reach a record $54.6 million. The number of residential transfers also increased at a solid pace throughout most of this period reaching 22,000 in FY00. However, even though the residential market remained solid, the number of residential transfers fell 4.5 percent in FY01. Hence, it was the jump in housing prices – the average value of residential transfers – that compensated for the decline in the number of transfers. The commercial sector diverted from the residential trend in FY99 with a 29 percent drop in total transfer tax collections, followed by a 2 percent drop in FY00, and a more significant 9.0 percent decline in FY01. The number of commercial transfers also fell sharply in the last two fiscal years, with declines of 17 percent (FY00) and 30 percent (FY01) reducing the number of transfers to 461 – the lowest level since fiscal year 1995. In short, even though total transfer tax receipts declined just 0.1 percent in FY01, commercial transfers fell both in value and numbers, the number of residential transfers fell, while the growth in the value of residential transfers compensated for all the declines to keep overall tax collections almost flat in FY01. As the economy continues to slow in the subsequent fiscal year, demand for commercial space drops. This is already evident in the office vacancy rate that jumped to a five-year high in September 2001. This suggests that neither the level nor the value of commercial transfers will rebound soon. Similarly, weaker employment conditions will dampen further growth in residential transfers. This will, to some degree, be compensated for by very low mortgage interest rates that dropped to near 30-year lows at the close of FY01. Previously, the "wealth effect" from the unprecedented growth in the stock markets boosted demand for houses at the high-end of the market, pushing up the average residential transfer tax to a record $2,601 in FY01. Considering the negative "wealth effect" from the significantly deteriorated stock markets more recently, average residential transfer taxes are not expected to grow at the rates observed through FY01. This suggests that FY01 transfer and recordation tax collections have been the high-water mark, and that following a modest downward adjustment, real estate activity for the residential sector will be in line with the moderate population and residential replacement growth trends for the County.

The remaining tax sources **--** consisting of the hotel/motel, fuel/energy, telephone, and admissions taxes – came in $2.7 million (6.2 percent) above the combined budget estimate of $44.0 million in FY01. The continued growth in the County economy, employment, and real estate market contributed to growth in revenues from the hotel/motel (26 percent) and, to a lesser degree, from the fuel/energy (7 percent) and telephone (4 percent) taxes compared to FY00. The sharp jump in hotel tax collections is due to several factors – accounting and economic. Expected late payments of this tax for the fourth quarter FY00 created a 4.9 percent drop in receipts that year, while boosting FY01 receipts with one-time higher collections. At the same time, growth in occupancy rates (3 percent), room rates (6 percent), and a growing number of hotel rooms in the County (2 percent), contributed to the 26 percent growth in tax revenues for the hotel/motel tax. The smallest of all tax revenues – admissions and amusement taxes – fell 16.7 percent compared to FY00 due to a correction, as reflected in lower payments in FY01, for an overpayment made by the Maryland State Comptroller to the County in FY00.

Investment income fell 22 percent in FY01 compared to FY00, contributing close to 7 percent of the total General Fund variability between budget and actual collections. In the General Fund, investment income was $5.0 million below the budget estimate of $22.0 million, reflecting a decline in the portfolio balance as a result of later than usual issuance of commercial paper. Even though the yield on cash equity increased modestly from 5.72 percent (FY00) to 6.16 percent (FY01), this masks the fact that rates increased sharply in the first half of FY01, but plummeted in the second half as a result of an unprecedented series of interest rate cuts by the Federal Reserve Board. Total pooled investment income (all funds and outside participants) came in at $49.5 million, which reflects 3 percent decline from the prior fiscal year. The decline in revenues is reflected in the "daily cash average" which fell from $890 million in FY00 to $804 million in FY01, but only modestly below the budget estimate of $826 million. Assuming a lower yield rate, total pooled investment income was estimated at $47.4 million in the FY01 budget. Considering the sharp drop in interest rates in calendar year 2001, with the federal funds rate falling 400 basis points from 6.5 to 2.5 percent, and with more interest rate cuts likely, yield on cash equity will remain depressed in FY02. At the same time, slower revenue growth will dampen portfolio growth.

General Fund Appropriations and Transfers

FY01 expenditure savings amounted to $8.3 million. Savings occurred in both departmental expenditures ($6.0 million) and non-departmental expenditures ($2.3 million). Even though all departmental and most non-departmental units recognized savings this year, the majority of the savings occurred in lower than projected operating cost for the Department of Health and Human Services ($2.3 million), Department of Libraries ($0.6 million), Circuit Court ($0.4 million), Office of Human Resources ($0.4 million), Department of Finance ($0.3 million), Office of the County Sheriff ($0.3 million), Risk Management Dividend and Contribution ($0.9 million), and the Working Families Income Supplement ($0.4 million).

Offsetting the increased General Fund revenue and expenditure savings was a mandatory transfer to the Revenue Stabilization Fund of $8.9 million at the close of FY01. Generally, 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. Stronger than projected receipts in all tax categories contributed to this mandatory transfer.

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

Table 15
Montgomery County, Maryland
Schedule Of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual				Fiscal Year Budget
	1998(1)	1999(1)	2000(1)	2001(2)	2002
Revenues:					
Taxes:					
Property, including interest & penalty	$ 607,196,112	$ 593,103,639	$ 610,403,414	$ 623,819,661	$ 643,515,740
Transfer tax and recordation tax	82,969,763	93,009,575	99,771,486	102,381,412	94,680,000
County income tax	602,825,620	689,203,638	761,148,755	812,352,208	823,950,000
Other taxes	42,751,420	45,183,618	43,312,655	46,768,742	46,020,000
Total Taxes	1,335,742,915	1,420,500,470	1,514,636,310	1,585,322,023	1,608,165,740
Licenses and permits	4,284,392	4,338,599	4,508,738	4,631,314	4,964,600
Intergovernmental revenue	87,994,220	93,255,279	98,051,154	102,932,299	110,134,210
Charges for services	8,319,726	7,337,927	7,904,754	8,961,699	8,807,095
Fines and forfeitures	3,042,264	3,188,275	4,550,638	6,195,417	8,914,180
Investment income	15,735,564	18,155,871	21,831,424	16,998,296	23,581,000
Miscellaneous	7,071,441	8,061,519	8,300,775	9,596,381	8,247,110
Total Revenues	1,462,190,522	1,554,837,940	1,659,783,793	1,734,637,429	1,772,813,935
Expenditures (including encumbrances):					
General County:					
General government	130,541,248	139,868,204	152,711,792	153,528,937	159,564,765
Public safety	145,807,258	149,815,388	163,575,547	172,137,027	186,909,548
Transportation and public works	29,303,085	36,671,572	35,155,518	36,326,517	33,627,407
Health and human services	106,850,279	115,372,553	130,598,688	145,121,009	150,016,950
Culture and recreation	27,699,078	34,407,208	37,032,110	37,985,645	45,552,736
Housing and community development	2,484,460	2,883,758	4,104,510	4,256,355	3,803,874
Environment	2,365,887	3,197,837	3,549,047	4,502,897	4,455,239
Total Expenditures	445,051,295	482,216,520	526,727,212	553,858,387	583,930,519
Operating Transfers In (Out):					
Operating Transfers In:					
Special Revenue Funds	9,139,096	9,091,019	10,117,342	10,283,760	12,850,550
Enterprise Funds	16,864,000	17,042,960	17,248,580	19,679,903	30,453,480
Trust Funds	--	--	--	--	--
Internal Service Funds	--	--	--	--	500,000
Component Units	100,295	110,000	192,696	644,650	103,750
Total Operating Transfers In	26,103,391	26,243,979	27,558,618	30,608,313	43,907,780
Operating Transfers Out:					
Special Revenue Funds	(25,908,256)	(11,590,135)	(15,719,842)	(25,516,861)	(17,524,572)
Debt Service Fund	(127,342,718)	(136,484,729)	(134,767,348)	(143,528,192)	(164,804,300)
Capital Projects Fund	(14,501,913)	(14,189,353)	(38,907,827)	(52,079,521)	(115,023,873)
Enterprise Funds	(4,736,579)	(3,903,074)	(5,988,835)	(4,326,035)	(3,955,716)
Internal Service Funds	(1,031,750)	(1,410,500)	(615,290)	(1,581,897)	(449,860)
Component Units(3)	(833,422,826)	(883,972,417)	(938,162,658)	(1,035,534,480)	(1,131,128,652)
Total Transfers Out	(1,006,944,042)	(1,051,550,208)	(1,134,161,800)	(1,262,566,986)	(1,432,886,973)
Net Operating Transfers In (Out)	(980,840,651)	(1,025,306,229)	(1,106,603,182)	(1,231,958,673)	(1,388,979,193)
Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out	36,298,576	47,315,191	26,453,399	(51,179,631)	(200,095,777)
Fund Balances, July 1 as previously stated	101,680,857	148,530,451	211,266,962	255,964,974	234,640,751
Adjustment for previous year encumbrances(4)	10,565,018	15,211,912	18,244,613	29,855,408	29,312,780
Fund Balances, July 1 restated	112,245,875	163,742,363	229,511,575	285,820,382	263,953,531
Equity transfers in (out)	(14,000)	209,408	--	--	--
Budgetary Fund Balance, June 30	$ 148,530,451	$ 211,266,962	$ 255,964,974	$ 234,640,751	$ 63,857,754

(1) Amounts for FY98-00 are audited.
(2) Amounts for FY01 are unaudited.
(3) Amount for FY00 restated to comply with Governmental Accounting Standards Board Statement Number 33.
(4) Actual amounts (FY98-01) are net of write-offs; budget amount (FY02) is gross outstanding encumbrances.
Note: Actual and budget amounts are for fiscal years ended June 30.

Table 16
General Fund
Schedule Of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 1998(1)	Fiscal Year 1999(1)	Fiscal Year 2000(1)	Fiscal Year 2001(2)
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above	$148,530,451	$211,266,962	$255,964,974	$234,640,751
Plus encumbrances outstanding	17,704,489	20,625,655	33,029,310	29,312,780
Adjustment for prior year encumbrances	(1,199,949)	(2,492,577)	(2,381,042)	(3,173,902)
Unrealized investment gain (loss)	556,780	(1,290,016)	1,169,668	142,060
Net differences between beginning fund balances	297,903	2,147,311	745,760	3,123,811
GAAP Fund Balance as Reported	$165,889,674	$230,257,335	$288,528,670	$264,045,500
Elements of GAAP Fund Balance:				
Reservations	$ 19,915,257	$ 22,947,323	$ 36,225,684	$ 32,711,557
Designated for CIP Transfers	14,842,202	31,294,410	36,001,151	54,234,669
Designated for subsequent years expenditures	57,916,816	85,527,972	140,856,091	117,794,569
Unreserved / Undesignated	73,215,399	90,487,630	75,445,744	59,304,705
	$165,889,674	$230,257,335	$288,528,670	$264,045,500

(1) Amounts for FY98-00 are audited.
(2) Amounts for FY01 are unaudited.
Note: All amounts are for fiscal years ended June 30.

REVENUE STABILIZATION FUND

The State of Maryland, during the 1992 State legislative session, 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 ten percent of the aggregate revenue from certain sources in the preceding three fiscal years. This equates to four percent of General Fund revenues above the five percent maximum in the Charter (a total of nine percent of General Fund revenues). 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.

Primarily as the result of higher than estimated income tax and transfer and recordation tax revenues, a mandatory transfer of $8.9 million was made to this fund at the end of FY01. This fifth consecutive mandatory transfer is combined with the mandatory contributions in FY97 ($18.7 million), FY98 ($21.4 million), FY99 ($5.5 million), and FY00 ($8.4 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 fund size of $79.5 million at the closing of FY01. Since the fund reached more than half of its maximum size in FY01, according to the County law that established the Fund, interest earned from the fund must be transferred to PAYGO. The interest transfer in FY01 was $4.8 million; similar transfers were made in FY98 ($1.9 million), FY99 ($3.0 million), and FY00 ($3.4 million).

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, 2001, the investment balance of the County's portfolio was $741.0 million. During FY01 the County earned investment income of $49.5 million.

RISK MANAGEMENT

On July 1, 1978, County Code Section 20-37 was enacted to establish the Montgomery County Self-Insurance Program. Since that time, the County has self-insured 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, Housing Authority of the City of Rockville, Town of Somerset, Village of Martin's Additions, City of Gaithersburg, Village of Drummond, and the Bethesda Urban Partnership.

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, and others. Beginning August 1, 1997, Risk Management purchased commercial excess liability coverage with limits of $10 million above a $2 million retention.

A summary of FY01 operations of the program is outlined below:

	($000's)
Revenues:	
Contributions from participating agencies	$17,622
Interest on investments	4,043
Recovered losses	484
Other income	54
Total Revenues	22,203
Expenses:	
Claims expense	18,495
Claims administration, loss control, external insurance, and other administrative expenses	8,472
Total Expenses	26,967
Net income (loss)	(4,764)
Retained earnings, July 1, 2000	10,870
Contributed capital, June 30, 2001	271
Equity balance, June 30, 2001	$6,377

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 FY01 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, 2001 was approximately $364.4 million. The total payroll for Montgomery County Government was $415.7 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 FY01 year-end, the defined benefit plan covered approximately 6,024 active participants and 4,379 retirees and inactive participants, with total liabilities amounting to approximately $2.11 billion. At FY01 year-end, the defined contribution plan had 2,549 participants with liabilities totaling $23.9 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 $1.876 billion as of June 30, 2001. 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.

For additional information concerning the County's retirement plan, see Appendix B, "Notes to Financial Statements" Note 16, Pension Plan Obligations, for the year ending June 30, 2000.

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. The semi-annual property tax payment system allows for partial payments of real property taxes (currently due September 30 and January 31) for certain residents of owner-occupied residential real estate. While this system was optional for eligible residents through FY00, recently adopted legislation in Maryland makes semi-annual payments the standard in FY01, unless taxpayers opt out of the system and remain in the annual payment cycle. Additionally, effective FY01, the second payment will be due December 31 instead of January 31 as required under the previous semi-annual system. Finally, also effective FY01, the service charge for handling the semi-annual payment schedule, which included interest and an administrative fee, has been eliminated. 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 had been 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 will be 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 revalued once every three years. 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 11 percent in the last five years, measured through 2001. Due to an expanding economy and growing number of taxable accounts, and despite the negative impact of several tax law changes, growth in the personal property base increased eight percent in the last five years, bringing the overall increase in the aggregate property base to 11 percent during this period.

Table 17
Assessed Value of All Taxable Property
By Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Ratio of Assessment to Full Market Value
2001	$74,122,532,195	$4,077,848,090	$78,200,380,285	94.10%
2000	71,686,384,553	3,879,302,990	75,565,687,543	95.91
1999	69,765,199,990	3,758,546,555	73,523,746,545	97.72
1998	68,186,602,838	3,654,450,970	71,841,053,808	98.48
1997	66,509,130,853	3,789,223,680	70,298,354,533	97.54

Note: During FY01 the taxable property assessment method for real property changed from 40 percent to 100 percent of assessed value. Fiscal Years 1997 through 2000 have been restated at 100% of assessed value on this schedule for comparison purposes.

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports; and Office of Management and Budget, Approved FY01 Budget.

Tax-exempt properties are excluded from the above figures. In FY01, such exemptions for real property owned by Federal, State, County, and other governmental units, churches, schools, fraternal organizations, cemeteries, disabled veterans, and the blind totaled $3,576,009,630. Tax-exempt real property constitutes 11 percent of the total gross real property base, with 77 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 2001) from 220,808 residential properties, the overall average County assessment per improved residential account of $261,464 equates to an estimated market value of $278,747.

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

Table 18
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
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
1999	596,405,657	587,029,606	98.43	3,949,630	590,979,236	99.09	20,219,046	3.39
1998	606,876,834	599,169,683	98.73	6,006,098	605,175,781	99.72	19,944,748	3.29
1997	604,170,465	598,155,989	99.00	445,968	598,601,957	99.08	17,398,035	2.88

Table 19
Tax Rates and Tax Levies, By Purpose

Fiscal	General County (including Education)		Transit		State		Total	
Year	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2001	$1.857	$621,488,986	$.100	$33,566,325	$.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
1999	1.923	596,405,657	.102	32,297,945	.210	60,227,585	2.235	688,931,187
1998	1.962	606,876,834	.091	28,155,852	.210	59,093,497	2.263	694,126,183
1997	1.990	604,170,465	.078	23,704,917	.210	57,564,804	2.278	685,440,186

Note: Rates shown are per $100 of assessed value, at the FY01 assessment methodology (real property assessed at 40% of full property value). In addition to the tax rates shown above, other special area rates are applicable in certain geographic areas of the County. In FY01, such rates included: municipalities (ranging from $.08 to $1.605); M-NCPPC ($.223); fire districts ($.293); recreation ($.069); storm drainage ($.01); noise abatement ($.40 to $.45); and the urban districts (ranging from $.04 to $.075). Commercial property without adequate parking facilities located within the four central business districts is subject to a parking lot district tax ranging from $.30 to $.70. Rates per $100 of assessed value.

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

Table 20
FY01 Ten Highest Commercial Property Taxpayers' Assessable Base

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	$ 971,603,190	$ 24,356,150	$ 947,247,040	2.88%
Verizon	663,852,350	23,191,550	640,660,800	1.97
Washington Gas Light Co.	178,488,430	5,765,720	172,722,710	0.53
International Business Machines	89,842,750	17,586,810	72,255,940	0.27
Montgomery Mall	87,598,710	87,294,580	304,130	0.26
Bryant F. Foulger, Trustee	81,238,800	81,238,800	--	0.24
Albert & R. Abramson, et al	51,868,910	51,868,910	--	0.15
Lake Forest Associates	50,491,660	50,491,660	--	0.15
Marbeth Partnership	48,884,710	48,884,710	--	0.14
Democracy Associates	46,909,410	46,909,410	--	0.14
Total	$ 2,270,778,920	$437,588,300	$1,833,190,620	6.69%
Assessable Base (June 30, 2001)	$33,726,860,968			

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

Impact Tax

Significant development has occurred in outlying areas placing great demands on the County for provision of major highways, public schools and other public facilities. Pursuant to Sections 52-47 through 52-59 of Chapter 49A, "Development Impact Taxes for Major Highways" of the Montgomery County Code, two impact fee areas were established in Germantown and Eastern Montgomery County. These impact fee (now impact tax) areas are a means of transferring a share of the costs of additional major highway improvements to the new development that is primarily responsible for creating this need. Presently unprogrammed major highways (not in the Capital Improvements Program or in the State Consolidated Transportation Program) are to be funded through a combination of County general obligation bonds and development impact taxes in these areas. The tax is imposed prior to the issuance of a building permit. Impact taxes in the two areas yielded $1.47 million in FY94, $1.20 million in FY95, $0.84 million in FY96, $1.28 million in FY97, $1.02 million in FY98, $1.40 million in FY99, $0.99 million in FY00, and $3.1 million in FY01. Effective August 13, 2001, the County Council created a third impact tax area for Clarksburg.

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

The population of the County, according to the 1990 Census, was 757,027. The Maryland-National Capital Park and Planning Commission (M-NCPPC) revised population estimate shows 866,000 for the County on January 1, 2001. This includes approximately 5,000 from the Takoma Park section in Prince George's County, which transferred to Montgomery County on July 1, 1997.

Table 21
Population of Montgomery County

	Households	Population	Population Percent Change from Prior Census
1/1/2001 (M-NCPPC est.)	321,500	866,000	14.4%
1/1/1999 (M-NCPPC est.)	314,000	846,000	11.8
1/1/1994 (M-NCPPC est.)	296,200	798,000	5.4
1990 (U.S. Census)	282,228	757,027	30.7
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 in 1994, 1999 and 2001 derived from the Demographic Forecast Model from M-NCPPC (Round 6.2). The 2000 U.S. Census data will be released in December 2001.

Table 22
Median Age

	1970	1977	1980	1987	1990	1997	2000
Median Age	27.9	30.3	32.1	34.5	34.1	36.0	36.8

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

Employment

The County's economic structure reveals a diversified economy with a strong service sector and an increasingly greater reliance on the private sector. For example, the share of federal employment declined from 11 percent to 8 percent during the past decade. The service sector (service, finance, insurance, real estate and retail trade) employs 65 percent of the workforce. The following tables present the County's employment by sector.

Table 23
Payroll Employment in Montgomery County

	1980	1990	2000	Difference 2000/1990 Number	Difference 2000/1990 Percent
PRIVATE SECTOR EMPLOYMENT:					
Construction	18,117	26,910	26,254	(656)	-2.4
Manufacturing	12,380	17,953	20,214	2,261	12.6
Retail Trade	54,447	72,630	73,212	582	0.8
Wholesale Trade	11,537	14,184	13,532	(652)	-4.6
Finance, Insurance, and Real Estate	17,176	28,020	31,576	3,556	12.7
Services	83,388	132,861	184,426	51,565	38.8
Transportation, Communication, and Public Utilities	5,387	11,132	13,484	2,352	21.1
Other	3,300	3,800	7,380	3,580	94.2
TOTAL PRIVATE SECTOR	205,732	307,490	370,078	62,588	20.4%
PUBLIC SECTOR EMPLOYMENT:					
Federal	40,876	42,713	39,615	(3,098)	-7.3
State	1,310	1,634	1,100	(534)	-32.7
Local	28,774	30,134	36,951	6,817	22.6
TOTAL PUBLIC SECTOR	70,960	74,481	77,666	3,185	4.3%
GRAND TOTAL	276,692	381,971	447,744	65,773	17.2%

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.
Based on prior year data, payroll employment represents approximately 82 percent of at-place employment.

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

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

Table 24
Payroll Employment Shares by Industry in Montgomery County

	1990	2000
PRIVATE SECTOR EMPLOYMENT:		
Construction	7.0%	5.9%
Manufacturing	4.7	4.5
Retail Trade	19.0	16.4
Wholesale Trade	3.7	3.0
Finance, Insurance, and Real Estate	7.3	7.1
Services	34.8	41.2
Transportation, Communication and Public Utilities	2.9	3.0
Other	1.1	1.6
TOTAL PRIVATE SECTOR	80.5	82.7
PUBLIC SECTOR EMPLOYMENT:		
Federal	11.2	8.8
State	0.4	0.2
Local	7.9	8.3
TOTAL PUBLIC SECTOR	19.5	17.3
GRAND TOTAL	100.0%	100.0%

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

During the first eight months of 2001, the County's unemployment rate averaged 2.0 percent. The following table presents the County's labor force, employment and unemployment for the years 1996 through 2000.

Table 25
Montgomery County's Resident Labor Force
Employment & Unemployment

	Labor Force	Employment	Unemployment	Unemployment Rate
2000	482,985	473,902	9,083	1.9%
1999	476,811	468,030	8,781	1.8
1998	467,741	456,846	10,895	2.3
1997	466,500	454,375	12,125	2.6
1996	474,872	462,338	12,534	2.6

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

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

Federal Government Employment

The County is home to 23 Federal agencies in which nearly 60,000 civilians are employed, including a significant number of non-Federal employees working as consultants or researchers. These agencies comprise a virtual "Who's Who" list of prestigious Federal research facilities. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's great centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment in 2000.

Department of Health and Human Services	28,429
National Institutes of Health	
Food and Drug Administration	
Other	
Department of Defense	14,521
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	7,300
National Institute of Standards & Technology	
National Oceanic & Atmospheric Administration	
Nuclear Regulatory Commission	2,150
Department of Energy	1,460
Department of Treasury	662
Consumer Product Safety Commission	437
Department of Justice	271
Other Federal employees in leased space	228

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center (2000 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 Corp.	4,900
Chevy Chase Bank	4,700
Verizon	4,700
Lockheed Martin	3,700
Marriott International, Inc. (headquarters)	3,500
Hughes Network Systems	3,200
IBM	3,100
Sodexho Marriott Services	3,000
Holy Cross Hospital	2,700
Discovery Communications, Inc.	2,440
Sears Roebuck & Co.	2,100
Montgomery General Hospital	1,750
Safeway Stores Inc.	1,700
ACS Government Solutions, Inc. (CDSI)	1,700
Bureau of National Affairs	1,600
Aspen Systems	1,600
CSC Professional Services	1,500
Government Employees Insurance Company (GEICO)	1,500
Kaiser Foundation Health Plan	1,430
AT&T/Lucent Technologies	1,400
Suburban Hospital	1,400
National Association of Securities Dealers	1,330
CTA, Inc.	1,250
Mid-Atlantic Medical Services, Inc.	1,200
Phillips Publishing International	1,200
GE Global Exchange Services	1,100
BAE Systems (Marconi)	1,000
Hangar Orthopedics	1,000
Miller & Long	1,000
Acterna	1,000

* Includes Shady Grove and Washington Adventist Hospitals

Note: The employee numbers listed are best estimates taken during the 4th quarter of 2001 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.

PERSONAL INCOME

Actual personal income of County residents approached $39 billion in 1999, and is projected to total almost $44 billion in 2001. Income in calendar year 2000 is estimated to have experienced strong growth resulting from the excellent performance of the national and regional economies. Strong economic growth resulted in additional new businesses and higher proprietors' income, while the tight labor market continued to boost wage earnings. Growth in 2001 is projected to moderate to 5.6 percent as the effect of slower economic growth is impacting personal income.

The County, which accounts for just over 16 percent of the State's population, accounts for over 23 percent of the State's total personal income. As data in the following table show, personal income in the County, as a share of the State, has increased over time, reflecting improved regional and statewide economic conditions.

Table 26
Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2001 (est.)	$43,940	$188,130	$8,735,410	23.4%
2000 (est.)	41,600	178,506	8,312,312	23.3
1999	38,855	167,195	7,769,648	23.2
1998	36,389	158,491	7,418,754	23.0
1997	33,703	148,826	6,928,545	22.6
1996	32,543	140,809	6,538,103	23.1
1995	31,221	135,115	6,192,235	23.1
1994	29,867	129,849	5,873,362	23.0

Notes: (1) Actual data from U.S. Department of Commerce, Bureau of Economic Analysis, revised October 19, 2001 (U.S. and Maryland); and in May 2001 (County).
(2) Estimates for Montgomery County (2000-2001) by Montgomery County Department of Finance.
(3) Estimates for Maryland and United States (2001) 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 average household income ranks eleventh nationwide in 2001 – and second in the Washington metropolitan area -- measured among similar major suburban counties. The County's estimated 2001 household income of $136,670 ranks first in the State and exceeds the Washington MSA estimated average ($117,860) by 16 percent, the Maryland metropolitan average ($103,050) by 33 percent, and the U.S. metropolitan average ($91,330) by 50 percent.

Table 27
Comparison of Estimated Per Capita and Average Household Income, 2001
Montgomery County and 19 Other Major Affluent Counties

County	Per Capita Income	County	Average Household Income
Marin, Calif.	$66,760	Fairfield, Conn.	$173,230
Fairfield, Conn.	64,490	Marin, Calif.	166,970
Arlington, Va.	59,140	Morris, N.J.	158,560
Westchester, N.Y.	57,590	Westchester, N.Y.	156,020
Morris, N.J.	56,780	Fairfax, Va.	149,580
Bergen, N.J.	55,260	San Mateo, Calif.	149,220
San Mateo, Calif.	54,800	Lake, Ill.	148,460
Fairfax, Va.	54,750	Bergen, N.J.	146,610
Oakland, Mich.	51,090	Nassau, N.Y.	144,070
Middlesex, Mass.	50,860	DuPage, Ill.	137,420
MONTGOMERY, MD.	**50,740**	**MONTGOMERY, MD.**	**136,670**
Lake, Ill.	50,690	Middlesex, Mass.	134,000
Norfolk, Mass.	50,020	Oakland, Mich.	131,630
DuPage, Ill.	49,730	Norfolk, Mass.	131,320
Montgomery, Pa.	48,850	Rockland, N.Y.	131,240
Johnson, Kan.	48,770	Arlington, Va.	128,960
Nassau, N.Y.	48,590	Montgomery, Pa.	125,570
Palm Beach, Fla.	45,050	Johnson, Kan.	124,590
Hamilton, Ind.	44,590	Hamilton, Ind.	120,120
Contra Costa, Calif.	43,280	Waukesha, Wis.	118,710

(1) 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.

(2) Estimates of 2001 per capita income were based on trending forward experience during 1997-99.

(3) Estimated average 2001 household income was derived by multiplying the estimated 2001 per capita income by the average number of persons per household.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business" for personal income data; Sales and Marketing Management, "2001 Survey of Buying Power" for household data.

NEW CONSTRUCTION

Following a low point in FY94, new construction in FY95 improved for the first time in seven years with a modest five percent increase. The trend continued in subsequent years, reaching a growth rate of close to 39 percent in FY00. New construction in FY00 was broad-based in both residential and non-residential sectors. Single and multifamily new residential construction in FY00 jumped to the highest level since FY90, while the combined commercial and industrial sector experienced the most activity since FY92. Data for the subsequent fiscal year, however, show considerable moderation, with growth slowing to just 1.1 percent in FY01. In fact, the growth in new construction was the result of higher costs rather than a greater number of projects. Moreover, it is clear that this growth was the result of continued strength in the non-residential sector, with the commercial and industrial sector growing 18 percent in FY01. The aggregate residential sector, on the other hand, fell 2 percent in FY01 due to a drop in multi-family construction. The single-family residential sector, however, remains robust, buoyed by low unemployment, a strong job market, and mortgage interest rates near a 30-year low. As a result of these trends, single-family residential construction grew 4.1 percent in FY01. Considering the weaker economic conditions, the outlook for out years is for a return to a more historical growth trend in line with projected modest growth in new household formation and property replacement or improvement.

Table 28
New Construction Added to Real Property Tax Base
Montgomery County
($ millions)

Fiscal Year	Number*	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2001	14,599	$ 351.4	$ 21.5	$35.3	$110.4	$ 1.8	$ 520.4
2000	20,205	337.4	37.5	43.4	93.4	3.0	514.7
1999	15,130	263.9	3.5	22.6	76.9	4.1	371.0
1998	14,162	245.0	1.2	14.7	56.6	6.7	324.2
1997	13,837	258.9	2.4	19.2	34.6	5.4	320.5
5-Year Summary		$1,456.6	$66.1	$135.2	$371.9	$21.0	$2,050.8
Categories as Percent of Total		71.0%	3.2%	6.6%	18.1%	1.1%	100.0%
Percent Change FY01/FY00		4.2%	-42.7%	-18.6%	18.1%	-41.9%	1.1%

* Indicates total number of all types of building permits.

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 1,283 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 development districts located in Clarksburg: Clarksburg Town Center, Clarksburg Village and Clarksburg Skylark. Upon completion, the proposed developments will consist of 5,193 residential units, approximately 100,000 square feet of commercial office space, and approximately 259,000 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, Acterna, 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, featuring companies such as Choice Hotels, Verizon Communications, Kaiser Permanente, and Softmed Systems.

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.

Silver Spring

Downtown Silver Spring continues to be an exciting and vibrant focal point of Montgomery County. 2001 saw the continued openings of new businesses and several major relocations. The office market in downtown Silver Spring features nearly eight million square feet of space, including over three million square feet of Class A space, and a number of older buildings which have been significantly renovated in recent years. Symbolizing downtown Silver Spring's re-birth was the renovation of the 243,000 square foot building at 8757 Georgia Avenue, which was completed in April 2001. Social & Scientific Systems relocated from Bethesda to lease nearly 90,000 square feet in the building.

The combined State of Maryland and County investment of $164 million for the downtown redevelopment project was launched with the signing of a General Development Agreement with PFA Silver Spring LC on April 20, 1998. This project will ultimately comprise 500,000 square feet of retail, restaurant and entertainment space, 240,000 square feet of office space, a hotel, and a community facility. The first phase of 100,000 square feet of retail space was completed in 2000, and included a 35,000 square foot Fresh Fields/Whole Foods Market grocery store, Strosniders Hardware, and Sprint PCS Phone Store. During 2001, new neighborhood-serving retail establishments included Baja Fresh, Hollywood Video, Next Day Blinds, Moto Photo and Family Dry Cleaners.

The second phase is scheduled for a 2002 groundbreaking, with confirmed tenants to include a Borders Books superstore, TGI Friday's, Austin Grill, and Macaroni Grill. This phase will also include a multi-screen, 4,000 seat movie theater and a major hotel. Both the movie theater and hotel have attracted the interest of major national chains, and tenants should be announced in early 2002.

Corporate announcements and relocation plans have spawned other initiatives in this CBD. Discovery Communications held a groundbreaking for their new 550,000 square foot, $150 million corporate headquarters in November 2000. The decision to locate this facility in downtown Silver Spring was spurred by the relocation of the American Film Institute (AFI) to Silver Spring. AFI, based in Los Angeles, now operates a small theater at the Kennedy Center in Washington, D.C., and will operate and fully program the historic Silver Theater, capping off a $21 million County restoration and expansion. Construction is underway on the AFI Silver Theater, which will add two screening rooms. Additionally, the Round House Theatre will be opening a "black box" theater adjacent to the AFI Silver Theater, which will serve as its second Montgomery County location for live performances. Discovery Communications has also completed the renovation of the 150,000 square foot Discovery Creativity and Technology Center in the south part of downtown Silver Spring; the Center was occupied in early 2001 with 400 Discovery employees.

The Takoma Park campus of Montgomery College is proceeding with expansion plans, which includes purchasing land in South Silver Spring for more building space and a collaborative partnership with AFI to offer classes in film directing and related subjects. Also, Easter Seals plans to build a 46,000 square foot adult and child day care facility as part of its regional headquarters. In addition, a new $162 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 planned for downtown Silver Spring.

The State of Maryland's designation of Silver Spring as an Enterprise Zone has provided special financial incentives for new investment and job creation in the CBD. As of December 2000, the Silver Spring Enterprise Zone had received 136 applications, representing 106 firms, 923 new jobs, and $77.2 million of new capital investment.

Wheaton

Substantial progress has been achieved in redeveloping and rejuvenating downtown Wheaton since the County Executive launched a new redevelopment program in June 2000. Within a year's time, and with modest financial investment by the County, the private sector has initiated development on six key gateway sites that will generate approximately 1.9 million square feet of new residential, retail and office space. The overall private investment is approximately $275 million.

In terms of retail redevelopment, Westfield Corporation, owners of Westfield Shoppingtown Wheaton, an 850,000 square foot retail mall, is negotiating with a major national retail chain to locate as a fourth anchor store. After the fourth anchor store is secured, construction will begin on a major expansion of the mall. The County has tentatively committed to construct a new public parking garage to support this private sector investment estimated at nearly $100 million. Target plans to open a new store in the mall at the site of the former Wards store by mid-2002.

There are several major residential redevelopment projects in varying stages of planning and approval. Eakin/Youngentob and Bozzuto Group have submitted plans and expect to begin construction by mid-2002 on a residential project adjacent to the Metro station with 305 units, including 75 townhouses and 230 rental apartments, along with a new parking garage. Also, Bozutto Group is the development partner for the Washington Metropolitan Area Transit Authority (WMATA) to develop two Metro Air Rights Development Projects along Georgia Avenue. Bozutto plans to develop Metro's residential site east of Georgia Avenue into approximately 175 residential units. John Laing Homes and Centex Homes are planning to redevelop the Good Counsel High School site, north of the downtown business district, to create approximately 140 residential units. Another townhouse development is being planned for one additional site at the northern gateway.

Bozutto is also planning to develop a major commercial office project, the Metro Air Rights site west of Georgia Avenue. This project will include 300,000 square feet of office space and l5,000 square feet of retail.

Paving the way for these major redevelopment initiatives have been investments by the County, State, and Federal governments. Over the last 18 months, the County established a Redevelopment Office in Wheaton to oversee the redevelopment and revitalization activities, initiated $2 million of streetscaping improvements, established a Clean and Safe Program to enhance the downtown's appearance, and established the Charles W. Gilchrist Center for Cultural Diversity. Also, the County utilizes the Enterprise Zone, established in 1998, to provide business tax incentives and a Green Tape Zone to provide expedited development and permit approvals. The State has committed $500,000 in additional streetscaping funds, provided tentative approval of $540,000 in Smart Growth Funds for transit and pedestrian improvements at a residential redevelopment project, and is considering providing Community Legacy Funds to promote additional revitalization. Additionally, the Federal Government has committed $250,000 to establish a technology center in Wheaton to enhance computer literacy for small businesses.

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 has completely renovated and reconstructed the streetscape of an area that covers over two blocks, greatly increasing the mix of retail offerings in Bethesda. Additional new projects have continued in the area. In August 2001, a groundbreaking ceremony was held for a new mixed-used project at the site of the historic Bethesda Theater on Wisconsin Avenue. The project will feature the construction of townhomes, mid- and high-rise residences, a 345-space County parking garage, and the restoration of the theater.

In the downtown Bethesda office market, the major reinvestment program that is changing the skyline of the Bethesda CBD continues. 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 has been constructed. The final major project completed in the plan was the 306,000 square foot Francis G. Newlands building which delivered in September 1999. Also, the 700,000 square foot Chevy Chase Bank headquarters building at 7501 Wisconsin Avenue was delivered in September 2001. The building features two 15-story towers and will be the new corporate headquarters for Chevy Chase Bank, which will be occupying 450,000 square feet. The facility also includes a Chevy Chase Bank branch, a restaurant, retail shops, and a 400-seat performing arts theater. Other tenants that have signed leases in the Chevy Chase Bank building include Profunds Advisors and GMAC. Another major project completed in 2001 is the 135,000 square foot office and retail building at 7255 Woodmont Avenue. This building, which sits directly across from the "Bethesda Row" retail strip, has been leased to tenants such as Opnet Technologies and AMI Capital, Inc. A number of luxury high rise residential buildings and public parking garages are also in the design and approval stages for the Bethesda CBD.

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 Sector Plan concentrates new growth in the Metro-served area while preserving the surrounding neighborhoods. The Plan provides opportunities for additional development on the Hecht's, Chevy Chase Land Company, and GEICO sites, totaling over 1.4 million net additional square feet of office and retail space. Additional housing opportunities for an estimated 635 dwelling units are provided on the Hecht's and GEICO sites. One of the first major projects in this plan, Chase Tower, a 240,000 square foot retail and office building, delivered in November 2001. This luxury Class A tower has two signed tenants, Capital Trust and Capital Source.

Existing Office/R&D Space

As of October 10, 2001, Montgomery County has just under 80 million square feet of office and flex space (the total of Classes A, B, and C buildings), an increase of 5 million square feet from October 2000. The weighted vacancy rate for the County has risen slightly during the same period, but is still at a healthy 7.29%.

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 60 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 15 million square feet of office space. Discovery Communications' new 550,000 square foot corporate headquarters in downtown Silver Spring will soon be the signature building in the corridor. Also featured along Route 29 is the Westech Business Park, which will eventually include over 3 million square feet of office, R&D, light industrial, and retail development.

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

Table 29
Office/Flex Space Availability by Submarket
As of October 10, 2001

Montgomery County Office Market	Total Inventory (Square Feet)	Total Vacant (Square Feet)	Vacancy Rate w/Sublet	Vacancy Rate w/o Sublet
Bethesda CBD/Chevy Chase	11,058,363	687,445	10.30%	6.22%
North Bethesda/Potomac	11,342,037	609,101	6.89	5.37
Gaithersburg	12,207,981	695,567	7.35	5.70
Germantown	4,089,536	618,940	18.94	15.13
Rockville	11,105,839	777,938	8.00	7.00
North Rockville	15,435,305	718,867	6.14	4.66
Silver Spring (CBD)	7,404,998	1,155,842	17.51	15.61
N. Silver Spring/US 29	5,162,555	457,278	9.95	8.86
Kensington/Wheaton	1,852,836	85,378	4.95	4.61
Total County	79,659,450	5,806,356	9.20%	7.29%

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 $350 million to the local economy. Over $196 million comes from the County's thriving equine industry, about $125 million from horticulture, and $29 million from traditional agriculture. There are more than 526 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 has received a total of $13.35 million in Rural Legacy Program grant awards over the past four years.

Development of farmland has been controlled within the 93,000 acre Agricultural Reserve since its creation in 1980. 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 53,000 acres of farmland – more acreage than in any other county in the nation – have been protected through easements.

Farmers and landowners can choose from six 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)

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

Irvington Centre (King Farm)

Office activity continues to be strong in the 430-acre King Farm urban village in Rockville. Three Irvington Center broke ground in August 2000 and is scheduled for a February 2002 delivery. The 217,000 square foot building has seen significant pre-leasing activity, including a signed lease for 24,000 square feet by Hilb, Rogal, and Hamilton Company. The 165,000 square foot building at Two Irvington Centre delivered in December 2000 and features an impressive tenant list including Wolpoff and Abramson, and Avendra. One Irvington Centre, the first office building completed on the campus, is almost completely leased to companies such as Aronson, Fetridege, and Weigle, and Artesia Technologies. The entire Irvington Centre campus is comprised of over 90 acres and will ultimately include over 3 million square feet of office space.

Chevy Chase Bank Building

The 700,000 square foot building at 7501 Wisconsin Avenue became a dramatic addition to the downtown Bethesda skyline when it delivered in September of 2001. The building features two 15-story towers and will be the new corporate headquarters for Chevy Chase Bank, which will be occupying 450,000 square feet. The unique facility also includes a Chevy Chase Bank branch, a restaurant, retail shops, and a 400-seat performing arts theater.

Milestone Business Park

Construction commenced in 2001 on the 36.5-acre campus in Germantown. The campus is prominently featured along the I-270 Technology Corridor and will ultimately consist of five buildings totaling over 500,000 square feet. Acterna, a large high-tech telecommunications equipment manufacturer, will occupy the first two buildings on the campus. Acterna's first 150,000 square foot building delivered in November 2001; the second building will be 130,000 square feet and is scheduled for a March 2002 delivery.

Silver Triangle Office Center/Downtown Silver Spring

Discovery Communications' new 550,000 square foot corporate headquarters, which will be home to 2,000 employees, continues to near completion in downtown Silver Spring. The facility, scheduled to open in mid-2002, is expected to be a key catalyst in the continuing redevelopment of the downtown Silver Spring area. Already a number of prominent retailers have opened locations or have committed to locating in downtown Silver Spring, including Fresh Fields, Stronsiders Hardware, Borders Books, TGI Friday's, Austin Grill, and Macaroni Grill. In addition, over 3.5 million square feet of additional office space, retail establishments, restaurants, and theaters is planned for downtown Silver Spring. Nearly 10,000 new public parking spaces are also planned to accommodate this growth.

Rockville Metro Plaza/Rockville Center

The first of three Class A office buildings to be built on the 3.6-acre downtown Rockville Metro Plaza site broke ground in February 2001. The 230,000 square foot building is scheduled for an August 2002 delivery and will have software developer SAS Institute, Inc. as the lead tenant. A total of 620,000 square feet of office and retail space is planned for the site, and parking structures totaling over 3,000 spaces will also be constructed. The retail portion of the adjacent Rockville Center continued to thrive in 2001, with two new restaurants – Benito's and Tara Asia – opening in the 120,000 square foot retail pavilion. The retail pavilion, anchored by a Regal Cinemas movie theater, also includes California Tortilla and Ben & Jerry's.

Tower Oaks Corporate Park

The 200-acre site prominently located just off I-270 in Rockville had two buildings delivered and two additional groundbreakings in 2001. The 180,000 square foot building located at the Preserve at Tower Oaks delivered in April 2001, with OTG Software leasing over half of the building. The dramatic 260,000 square foot Tower Building located on Wootton Parkway delivered in August 2001, and now has three signed tenants – Bank of America, The Department of Health and Human Services, and Saphire Technologies. The 30,000 square foot Oak Plaza building broke ground in August 2001. Sun Control Systems will be the lead tenant when the building delivers in March 2002. A Clyde's restaurant also broke ground in 2001, 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.

Gateway 270 Business Center

Six new warehouse/industrial buildings totaling 250,000 square feet delivered in 2001 on the 100-acre industrial park in upcounty Clarksburg. Leasing activity was also strong in the park, with Thales Communications leasing the entire 94,000 square feet in the first building constructed on the campus. Other prominent tenants in Gateway 270 include Daly Computers and Electronic System Services, Inc. The property will ultimately contain over one million square feet of development.

Washingtonian Center

The newest addition to the 210-acre mixed-use development project in Gaithersburg will be a 284,000 square foot building leased to Marriott International, scheduled for a July 2002 delivery. Washingtonian Center has a "Town Center" feel with a mix of office, retail, restaurant, residential, and entertainment centers, all located within walking distance. Major office tenants include Sodexho Marriott and NASD. The retailers and restaurants include Target, Galyans, Kohl's, Barnes and Noble, Rio Grande, Joe's Crab Shack, and Macaroni Grill. Up to one million square feet of office space is planned for the center, and plans are also in the works for additional retail development and the construction of more structured parking.

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. TecHill One, a 75,000 square foot Class A office building that delivered in 2000, will soon be joined by a sister building, TecHill Two. TecHill Two is scheduled for a March 2002 delivery, and the entire 75,000 square foot building has been leased to Softmed Systems. 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

Marriott International

In 2001, Marriott broke ground on their new 263,000 square foot facility at the Washingtonian Center in Gaithersburg. This new facility represents part of Marriott's commitment to remain and expand in Montgomery County after receiving a $31.7 million incentive package from the State and County in 1999. Marriott International is one of the State of Maryland's largest employers, with over 3,500 employees. Marriott's growth plans call for an additional 700 jobs in the County by 2009. The new building in Gaithersburg, which will constructed in two phases (spring 2002 and autumn 2004) will help accommodate this growth by providing space for up to 1,400 employees. Marriott's expansion project will ultimately result in approximately $100 million in additional county revenues from the new building construction and creation of new jobs.

Social & Scientific Systems (SSS)

Social & Scientific Systems became another important addition to downtown Silver Spring in 2001. The company relocated from Bethesda to the newly renovated building at 8757 Georgia Avenue. The $18 million renovation of the 244,000 square foot building was completed in mid-2001, and SSS soon became the lead tenant by signing a lease in August 2001 for 88,000 square feet. SSS, which helps State and Federal agencies carry out their research missions, shape health care policy, and enhance their communications, relocated 275 jobs from Bethesda to Silver Spring, and plans on adding 100 new jobs within the next three years.

MedImmune

The Gaithersburg-based drug development company began the first phase of an expansion project in 2001. Construction commenced on their 150,000 square foot corporate headquarters and 75,000 square foot R&D facility on their new campus at the intersection of Great Seneca Highway and Quince Orchard Road in Gaithersburg. The $100 million project is scheduled for a June 2003 completion, and the buildings will be the home for over 500 employees.

Manugistics

In early 2001, Manugistics signed a lease for three new buildings that will total nearly 200,000 square feet on the Stiles Track in North Rockville. The company, which develops supply chain management and logistics software for over 1,100 clients throughout the world, plans on occupying the new buildings in May 2002. Medimmune will be investing over $10 million in real and personal property as a result of this expansion project. The company also plans on adding 540 new jobs to its current base of 415 employees in the next three to five years.

Thales

In September 2001, Thales (formerly Racal Communications of Rockville) held a ribbon-cutting ceremony celebrating the grand opening of their new 100,000 square foot facility in the Gateway 270 Business Park in Clarksburg. The supplier of miniature tactical radios for the defense and public safety markets has 229 employees in the new building.

Softmed Systems, Inc.

Softmed signed a lease on March 1, 2001 for the entire 72,000 square foot TecHill Two building being constructed in the Westech Business Park along Route 29 in North Silver Spring. This project is being considered a catalyst for further development and business expansions along the Route 29 Corridor, which is zoned for over three million square feet of new commercial construction projects. Softmed, which develops management and efficiency software for the healthcare industry, will be relocating from Bethesda when their new building delivers in March 2002. Nearly 400 employees will be located in the new facility.

Chevy Chase Bank

One of the largest employers in Montgomery County, Chevy Chase Bank relocated their corporate headquarters to a new 700,000 square foot building at 7501 Wisconsin Avenue in downtown Bethesda. Chevy Chase Bank occupies nearly 450,000 square feet in the building, and many of the bank's 4,500 Montgomery County employees will be located there.

Neuralstem Biopharmaceuticals

After considering moving to Frederick County or remaining in Price George's County, Neuralstem opted to relocate to Gaithersburg in 2001. The company, which develops therapeutic products and services to treat disorders of the brain and spinal cord, was previously located in the TAP incubator located at the University of Maryland, College Park. The company has leased 26,000 square feet on Perry Parkway in Gaithersburg and plans on having 141 new jobs there in the next three years.

SAS Institute

Cary, North Carolina based SAS Institute signed the first lease at the new Rockville Metro Plaza building currently under construction in downtown Rockville. The 56,000 square foot lease, signed in January 2001, will allow the world leader in business-intelligence software and services to have a significant presence in Montgomery County. This lease is also viewed as a key element in the efforts to redevelop downtown Rockville, which will soon feature new office buildings, retail shops, restaurants, and a public library. SAS plans to occupy the new space when the building delivers in August 2002.

U.S. Department of Health and Human Services (HHS)

Montgomery County's significant presence of federal employment was significantly boosted in 2001 when HHS signed a lease for an entire 142,000 square foot building to be constructed in the Redland Technology Park in Rockville. This lease is the first for the Redland Technology Park project that is ultimately planned for over 650,000 square feet of development. The HHS building is scheduled for delivery in May 2003.

Human Genome Sciences (HGS)

HGS celebrated two grand opening ceremonies in 2001, reflecting the significant growth of the biotechnology company heavily involved in the Montgomery County-based Human Genome Project. The first ground-breaking was for the one million square foot corporate campus at the Traville site in Rockville. This campus will ultimately contain their corporate headquarters and R&D facilities. HGS also broke ground on a new large-scale manufacturing facility on the Belward Research Campus in Rockville. When both of these projects are completed, HGS will have well over 1,000 employees in Montgomery County.

FEDERAL SPENDING

Federal spending remains an important contributor to the Washington area's economy. In fact, according to a George Washington University study, total federal spending accounts for over a third of the metropolitan Washington gross regional product. Hence, 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.

While federal spending is important throughout the nation, its impact is even more significant in this region. For example, while total federal spending amounted to $1,637 billion nationwide, the Washington MSA received $74.7 billion – a 4.6 percent share. This share has not materially changed in at least a dozen years. However, even though the overall share of regional compared to national spending has grown only modestly over time to just under 5 percent, in some categories the region's share is far more significant. For example, the region receives 13 percent of all spending on (i) salaries and wages, and (ii) 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. This category grew 18 percent nationwide, measured over the past ten years, but 161 percent in the Washington MSA. As the table below shows, even over the past five years, growth in the region was 39 percent, compared to 11 percent nationwide. These data also show that federal procurement spending in Montgomery County has achieved significant gains in that period, closely tracking growth in the region as a whole. The more than $3.8 billion procurement spending in Montgomery County is estimated to represent more than 10 percent of the gross county product as the federal government boosts economic activity through purchases of goods and services with the County's private sector industries.

Table 30
Federal Procurement Trends
1996 - 2000
(in $ billions)*

Fiscal Year	Montgomery County	Washington MSA	U.S.
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
1996	3.1	21.1	200.5
Percent Change 1996-2000	21.8%	38.8%	11.4%

* Amounts shown in current dollars (not adjusted for inflation).
Source: U.S. Bureau of the Census, Consolidated Federal Funds Report, Federal FY 1996-2000.

RETAIL SALES

Reflecting weaker economic conditions, retail sales, measured by sales tax data collected for the first eight months of 2001, show a distinct slowing trend in Maryland. Compared to the two prior years, when retail sales grew 8.1% (1999) and 8.2% (2000), sales growth declined to just 4.0% year to date. This slowing trend is similar to the national trend, where retail sales grew only 3.3% in the first eight months of 2001, and less than half the growth in the two prior years: 8.3% (1999) and 7.6% (2000). With consumer confidence falling sharply and unemployment increasing, retail sales are traditionally one of the first indicators to reflect economic weakness. Since consumer spending represents roughly two-thirds of economic growth, measured by gross domestic product (GDP), it is no surprise that as retail sales growth was cut in half, GDP growth came to a standstill in the second quarter of 2001.

Statewide retail sales in 1999 and 2000, measured for some of the largest categories, reflect a consistent growth pattern with particular strength in general merchandise (8% and 7%), automotive (12% and 20%), furniture and appliances (8% and 9%), building and industrial supplies (10% and 7%), and miscellaneous (6% and 6%). However, in contrast to the strong retail sales growth trend in the two prior years when the State economy was robust, growth this year declined dramatically for the aforementioned sectors: automotive (4%), furniture and appliances (-4%), building and industrial supplies (2%), and miscellaneous (-1%). In contrast to the significant weakening trend in Maryland, total retail sales in Montgomery County reflect a more stable trend. Retail sales in the County improved at a solid pace in the past few years, growing 6% (1999) and 7% (2000), with growth in 2000 reaching a six-year high. Similar to the State, sales in the County in 1999 and 2000 were particularly strong for automotive (13% and 27%) and miscellaneous (6% and 7%). By contrast, the furniture and appliances sector reflects a much weaker pattern in these two years (-1% and 5%), while building and industrial supplies declined last year (–1%). The County's largest sector – food and beverages – further improved last year (7%) and is close to twice the statewide growth (4%) in 2000. Even though retail sales through August 2001 moderated, the County's growth rate (5%) is ahead of the State's (4%) and reflects a much smaller drop from the prior years. A closer inspection of the numbers, however, reveals that some sectors are experiencing sharp declines. Notably, general merchandise (-1%), furniture and appliances (-5%), and miscellaneous (2%) are feeling the drop in consumer demand. Moreover, as the economy continued to weaken August sales in Maryland (-0.3%) fell for the first time in five years, while the decline was even more significant for the County (-2.2%). In the aftermath of the September 11th terrorist attack, expectations for retail sales in Maryland and Montgomery County in the remainder of 2001 will be even weaker. This is already evident in the preliminary retail sales data for the nation, which reflect a 2% drop in September 2001 – the largest decline in more than a decade.

Table 31
Sales & Use Tax Receipts
By Principal Business Activity

	Montgomery County						Maryland	
	1999		2000		Jan.-Aug. 2001		Jan.-Aug. 2001	
	Growth(1)	Share of Total	Growth(2)	Share of Total	Growth(3)	Share of Total	Growth(3)	Share of Total
Food and Beverages	3.0%	21.5%	7.1%	21.6%	14.3%	23.4%	8.3%	20.2%
Apparel	7.9	7.3	1.8	7.0	12.8	7.1	6.4	4.6
General Merchandise	11.5	19.7	-0.2	18.5	-0.8	16.3	4.5	16.6
Automotive	12.5	6.7	26.8	7.9	5.6	8.5	3.5	7.6
Furniture & Appliances	-1.3	14.7	5.4	14.6	-5.0	13.2	-4.3	12.2
Building & Industrial Supplies	11.5	9.7	-1.0	9.0	8.7	9.9	2.4	13.7
Utilities & Transportation	6.3	5.4	17.6	6.0	12.2	6.6	15.8	9.0
Hardware, Machinery & Equipment	2.8	1.8	30.5	2.2	-16.0	1.9	-0.7	2.8
Miscellaneous	6.4	12.7	6.5	12.6	1.8	12.2	-1.1	12.4
Other	-21.3	0.5	40.1	0.6	16.5	0.9	24.5	0.9
Total Retail Sales Tax	6.1%	100.0%	6.6%	100.0%	5.1%	100.0%	4.0%	100.0%

Notes: (1) Growth between 1998 and 1999.
(2) Growth between 1999 and 2000.
(3) Growth between the period January through August 2000, and the same period in 2001.

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

MAJOR RETAIL CENTERS

Montgomery County is served by four regional shopping centers. They are Lakeforest Mall in Gaithersburg, Montgomery Mall 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 during 1978. This 1.1 million square foot mall features 162 stores including four major department stores: Hecht Company, JC Penney, Lord & Taylor, and Sears Roebuck & Co.

Montgomery Mall, which opened in 1968, covers 1.6 million square feet of space. It features Nordstrom, Hecht Company, and Sears Roebuck & Co. department stores, 119 other stores, and three parking garages, and is served by a Montgomery County Transit Center.

A third large retail center is Westfield Shoppingtown Wheaton, formerly known as Wheaton Plaza, and the surrounding area. 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 and JC Penney.

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 and luxury department stores such as Lord & Taylor and Bloomingdale's. The 900,672 square foot mall also features a five-auditorium cinema and Border's Bookstore.

APPENDIX B

GENERAL PURPOSE FINANCIAL STATEMENTS

The County's General Purpose Financial Statements for the year ended June 30, 2000 are contained in the County's Comprehensive Annual Financial Report for the year ended June 30, 2000. The Report may be downloaded from www.mcmdbonds/emontgomery.org located at the tab for Comprehensive Annual Financial Report. Click on the link to General Purpose Financial Statements under the heading for Financial Section.

(This page has been left blank intentionally.)

APPENDIX C

DRAFT APPROVING OPINION OF BOND COUNSEL

(This page has been left blank intentionally.)

DRAFT APPROVING OPINION OF BOND COUNSEL

(Letterhead of Venable, Baetjer and Howard, LLP)

(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 $146,375,000 Montgomery County, Maryland Consolidated Public Improvement Refunding Bonds of 2001, Series A (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, Section 24 of Article 31 of the Annotated Code of Maryland (1997 Replacement Volume and 2001 Cumulative Supplement) and are authorized to be issued and awarded by a resolution of the County Council for the County adopted on November 20, 2001 and Orders of the County Executive of the County passed on November 20, 2001, as supplemented.

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 Acts, the Resolution and the Orders.

(b) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, and for the payment of which the County is empowered and directed to levy ad valorem taxes, without limitation of rate or amount, upon all real, tangible personal and certain intangible property subject to taxation by the County.

(c) To provide for the payment of the principal of and interest on the Bonds, the County, by adoption of the Acts and passage of the Orders, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) 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 (d), 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.

(e) 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 (d) and (e), 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, Baetjer and Howard, LLP"]

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 $146,375,000 Montgomery County, Maryland Consolidated Public Improvement Refunding Bonds of 2001, Series A (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 following annual financial information and operating data, 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, 2002:

(i) Statement of Direct and Overlapping Debt; (ii) General Bonded Debt Ratios; (iii) Assessed Value of All Taxable Property By Class; (iv) Property Tax Levies and Collections; (v) Property Tax Rates and Tax Levies, By Purpose, and (vi) Schedule of General Fund Revenues, Expenditures and Transfers In (Out).

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, 2002, 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, 2002), 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

(This page has been left blank intentionally.)

APPENDIX E

REFUNDED BONDS

Montgomery County, Maryland Consolidated Public Improvement Bonds of 1991, Series B

Maturing October 1	Principal	Rate of Interest	Call Price	CUSIP
2003	$3,500,000	5.900%	102	613340JE9

Montgomery County, Maryland Consolidated Public Improvement Bonds of 1992, Series A

Maturing October 1	Principal	Rate of Interest	Call Price	CUSIP
2004	$5,750,000	5.400%	102	613340LA4
2005	$5,750,000	5.500%	102	613340LB2
2006	$5,750,000	5.500%	102	613340LC0

Montgomery County, Maryland Consolidated Public Improvement Bonds of 1996, Series A

Maturing April 1	Principal	Rate of Interest	Call Price	CUSIP
2009	$6,000,000	5.250%	102	613340PM4
2010	$6,000,000	5.300%	102	613340PN2
2011	$6,000,000	5.500%	102	613340PP7
2012	$6,000,000	5.500%	102	613340PQ5
2013	$6,000,000	5.500%	102	613340PR3
2014	$6,000,000	5.500%	102	613340PS1
2015	$6,000,000	5.500%	102	613340PT9
2016	$6,000,000	5.500%	102	613340PU6

Montgomery County, Maryland Consolidated Public Improvement Bonds of 1997, Series A

Maturing May 1	Principal	Rate of Interest	Call Price	CUSIP
2011	$5,750,000	5.375%	102	613340QJ0
2012	$5,750,000	5.375%	102	613340QK7
2013	$5,750,000	5.375%	102	613340QL5
2014	$5,750,000	5.375%	102	613340QM3
2015	$5,750,000	5.375%	102	613340QN1

Montgomery County, Maryland Consolidated Public Improvement Bonds of 2000, Series A

Maturing January 1	Principal	Rate of Interest	Call Price	CUSIP
2014	$6,500,000	5.500%	101	613340UZ9
2015	$6,500,000	5.500%	101	613340VA3
2016	$6,500,000	5.600%	101	613340VB1
2017	$6,500,000	5.750%	101	613340VC9
2018	$6,500,000	5.750%	101	613340VD7
2019	$6,500,000	5.750%	101	613340VE5
2020	$6,500,000	6.000%	101	613340VF2

(This page has been left blank intentionally.)