GO COMMITTEE #1
January 29, 2014

MEMORANDUM

January 27, 2014

TO: Government Operations & Fiscal Policy Committee

FROM: Glenn Orlin, Deputy Council Administrator GO

SUBJECT: Spending affordability guidelines for the FY15-20 Capital Improvements Program, and other CIP revenue assumptions

Summary of Council staff recommendations:

1. **Retain the G.O. Bond guidelines and targets at $295 million/year; $1.77 billion for FY15-20.**
2. **Accept the Executive's recommendation for $32.45 million in PAYGO in FY15, but retain the current PAYGO assumption of $40.5 million in FY16, $50.5 million in FY17 and FY18, and extend the $50.5 million assumption to FY19 and FY20.**
3. **Reduce the Executive's capital set-aside by $2.5 million in FY17 and in FY18 and by $5.0 million in FY19 and in FY20.**
4. **Assume $38 million in School Impact Tax revenue in each year of the six-year program.**
5. **Use the probable FY14 surplus revenue in School Impact Tax for school capacity projects in FYs15-16.**
6. **Do not program the $230.7 million of funds associated with the School Financing Bonds.**
7. **Concur with the Executive's recommendations regarding implementation rates, inflation rates, and revenue estimates for the Recordation Tax—School Increment, Recordation Tax Premium, Transportation Impact Tax, and "regular" State School Construction funds.**
8. **Concur with the Executive's recommendations regarding Current Revenue and bonds issued by M-NCPPC.**

Recommendation #1 (retaining the $295 million/year guidelines and targets), once the implementation rate is taken into account, would reduce funds available for programming by about $205 million compared to the Executive's CIP. Recommendations #2-5 would virtually make up that difference. Below shows the difference in funds available for programming compared to the Executive ($000):

Recommendation	FY15	FY16	FY17	FY18	FY19	FY20	6-yr.
#1: stay at $295M/yr	-34,120	-34,120	-34,120	-34,120	-34,120	-34,120	-204,720
#2: retain current PAYGO	0	+8,050	+18,050	+18,050	+18,050	+18,050	+80,250
#3: reduce set-aside	0	0	+2,500	+2,500	+5,000	+5,000	+15,000
#4: school tax @$38M/yr	+13,407	+12,924	+13,566	+13,929	+14,578	+14,997	+83,401
#5: FY14 surplus school tax	+20,713	+5,000	0	0	0	0	+25,713
Net	**0**	**-8,146**	**-4**	**+359**	**+3,508**	**+3,927**	**-356**

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The objective for this worksession is for the Committee to review the spending affordability guidelines for the FY15-20 CIP and the set of associated CIP assumptions. The Committee will prepare its recommendations for the Council's review on February 4, the deadline for the Council either to confirm or amend guidelines. According to County Code Section 20-56(c)(4), any February revision is supposed to "reflect a significant change in conditions" (see top of ©3). After February 4 the Council can adopt an aggregate capital budget that has expenditures that exceed the guidelines, but only with seven or more affirmative votes. The section of the Code describing this process is on ©1-3.

I. GENERAL OBLIGATION BONDS AND PAYGO

1. ***Council approved guidelines and targets.*** The General Obligation (G.O.) bond spending affordability guidelines and targets approved for the FY15-20 CIP on October 1, 2013 were $295 million in each year and $1.77 billion for the six-year period.

The current guidelines apply to FY15, FY16, and the FY15-20 period. The guidelines can be amended by a simple majority of Councilmembers present, but it must be done by the first Tuesday in February. The County Code restricts any increase to the first-year or the second-year guideline to 10% over the previously set amount. Since the current G.O. bond guideline for FY15 is $295 million, the Council cannot raise it by more than $29.5 million (to $324.5 million). The same is true for the FY16 guideline. The Council can raise or lower the FY15-20 guideline as high or low as it wishes.

The G.O. bond adjustment chart reflecting the Executive's January 15, 2014 recommendations is on ©4, which is to retain these guidelines. Table 1 displays the spending affordability guidelines and targets in recent CIPs and in the Executive's January 15 recommendations ('**FY15-20 Rec'**):

Table 1: General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	6-Yr
FY05-10	190	190											1,140
FY05-10 Am	200	200											1,218
FY07-12	264	226	220	220									1,458
FY07-12 Am	275	275	275	275									1,650
FY09-14	300	300	300	300	300	300							1,800
FY09-14 Am	300	310	315	325	290	300							1,840
FY11-16			325	325	325	325	325	325					1,950
FY11-16 Am			320	310	320	320	320	320					1,910
FY13-18					295	295	295	295	295	295			1,770
FY13-18 Am					295	295	295	295	295	295			1,770
FY15-20 Rec							**324.5**	**324.5**	**324.5**	**324.5**	**324.5**	**324.5**	**1,947**

The Executive is recommending raising the FY15 and FY16 G.O. Bond guidelines to the 10% limit allowed by law, and raising the FYs17-20 targets by 10% as well. This is quite surprising, since four months ago he warned the Council in very strong terms not to raise the guidelines at all (©5-8). So what "significant change of conditions" has occurred to warrant an increase?

The Department of Finance has updated its assumptions and inputs for the bond interest rate, operating revenue growth, population growth, inflation, the assessable base and total personal income. A comparison of the assumptions and inputs from last winter and last summer (when, at each time, the Council settled on $295 million annual guidelines and targets) and January 2014, is on ©9:

- The assumption regarding annual interest rates on bonds is unchanged: 5.00% each year.
- The growth in General Fund revenue in FY15 is anticipated to be *higher* than last summer, but *lower* than last winter. The General Fund revenue growth in FYs16-19 is expected to be *somewhat lower* than last summer's projections: 3.7% (instead of 4.2%) in FY16; 3.1% (instead of 3.5%) in FY17; 3.5% (instead of 3.9%) in FY18; 3.4% (instead of 3.5%) in FY19. Compared to last winter's projections the revenue growth is *higher* in FY16 and *lower* in FYs17-18.
- The population forecasts, by year, are *virtually unchanged.*
- The annual inflation rates are forecast to be *slightly lower* in FYs15-19 and *somewhat higher* in FY20.
- Countywide assessable base is projected to grow *marginally faster* (depending on the year) through FY19 than had been assumed last summer, but the forecasts are *virtually unchanged* from the rate of growth forecasted last winter.
- Countywide personal income is now projected to grow *somewhat slower* than had been forecast both last winter and last summer.

These forecasts mean that there has been no significant change in economic conditions since both last winter and last summer. The assessable base growth is slightly better compared to last summer but no better than last winter, but the revenue the County gleans from the property tax is largely constrained by the Charter limit. Income growth is slightly worse, so the projection of income tax revenue will not grow as fast as earlier anticipated. The other measures are absolutely or virtually unchanged.

To assist in determining how much debt the County can afford—the Committee and Council rely in part on the debt capacity analysis charts that show the value of various indicators of debt affordability at various levels of debt over the next six years. The indicators are:

1. Total debt should not exceed 1.5% of full market value of taxable real property.
2. The sum of debt service and long-term and short-term lease payments should not exceed 10% of General Fund revenue.
3. Real debt per capita should not exceed $1,000 by a "significant" amount. As a working definition of this indicator, the Council should assume that real debt per capita should not exceed $2,100 in FY14 dollars.
4. The ratio of debt to income should not exceed 3.5%.
5. 60-75% of the debt at the beginning of any period should be paid off within ten years.

Council staff requested the Office of Management and Budget (OMB) to perform debt capacity analyses, using the new input assumptions, for eight scenarios:

- $275 million annually (©10);
- $285 million annually (©11);

- $295 million annually, the current guidelines and the Executive's September 2013 recommendation (©12);
- $305 million annually (©13);
- $315 million annually (©14);
- $324.5 million annually, the Executive's current recommendation (©15);
- $324.5 million in FYs15-16 and $330 million in FYs17-20 (©16); and
- $324.5 million in FYs15-16 and $340 million in FYs17-20 (©17).

Compare these charts to the debt capacity analysis of the $295 million scenario in the Executive's September 2013 letter, which was the basis for retaining the $295 million/year guidelines and targets (©8): Because the economic assumptions and inputs used now are a bit less optimistic than those used in last year, the values in the debt capacity analysis chart are generally worse:

- For debt/assessed value (Line 2): the new $295 million/year scenario performs better than the same scenario last summer, but it still exceeds the 1.50% standard. The $324.5 million/year scenario exceeds the standard each year by a wider margin.

Debt/Assessed Value	FY15	FY16	FY17	FY18	FY19	FY20
$295M/yr: Sept. 2013	**1.76%**	**1.75%**	**1.73%**	**1.70%**	**1.67%**	**1.70%**
$295M/yr: Jan. 2014	**1.76%**	**1.74%**	**1.70%**	**1.65%**	**1.63%**	**1.60%**
$324.5M/yr: Jan. 2014	**1.78%**	**1.77%**	**1.74%**	**1.71%**	**1.69%**	**1.67%**

Debt/Assessed Value should be 1.50% or less. Values in excess are highlighted in **bold**.

- For debt service + long-term and short-term lease payments/General Fund revenue (Line 3): the new $295 million/year scenario produces results slightly better than last fall's $295 million scenario in FYs15-17, but slightly worse in FYs18-20. The $324.5 million/year scenario produces much worse results by FYs18-20. In all cases and scenarios these values exceed the 10.00% standard by a wide margin.

Debt/GF Revenue	FY15	FY16	FY17	FY18	FY19	FY20
$295M/yr: Sept. 2013	**11.36%**	**11.58%**	**11.60%**	**11.28%**	**11.04%**	**11.11%**
$295M/yr: Jan. 2014	**11.14%**	**11.41%**	**11.56%**	**11.28%**	**11.22%**	**11.39%**
$324.5M/yr: Jan. 2014	**11.14%**	**11.43%**	**11.67%**	**11.47%**	**11.49%**	**11.72%**

Debt+Leases/General Fund Revenue should be 10.00% or less. Values in excess are highlighted in **bold**.

- For real debt/capita (Line 5): the new $295 million/year scenario produces marginally worse results compared last summer's $295 million/year scenario. The $324.5 million/year scenario is much worse: from FY18 on the real debt grow by $100+ per person. All scenarios fail the $2,100/capita standard by a very wide margin.

Real Debt/Capita	FY15	FY16	FY17	FY18	FY19	FY20
$295M/yr: Sept. 2013	**$2,861**	**$2,844**	**$2,805**	**$2,753**	**$2,685**	**$2,637**
$295M/yr: Jan. 2014	**$2,863**	**$2,858**	**$2,825**	**$2,777**	**$2,710**	**$2,626**
$324.5M/yr: Jan. 2014	**$2,891**	**$2,911**	**$2,900**	**$2,871**	**$2,819**	**$2,747**

Real Debt/Capita should be less than $2,100 or less. Values in excess are highlighted in **bold**.

- For debt/income (Line 6): last summer's $295 million/year scenario conformed to the standard by FY17. The slower projected income growth now shows the same scenario not reaching conformity until FY19. The $324.5 million/year scenario would fail the standard all six years.

Debt/Income	FY15	FY16	FY17	FY18	FY19	FY20
$295M/yr: Sept. 2013	**3.62%**	**3.52%**	3.44%	3.38%	3.31%	3.38%
$295M/yr: Jan. 2014	**3.73%**	**3.67%**	**3.58%**	**3.52%**	3.46%	3.38%
$324.5M/yr: Jan. 2014	**3.76%**	**3.74%**	**3.68%**	**3.64%**	**3.60%**	**3.54%**

Debt/Income Value should be 3.50% or less. Values in excess are highlighted in **bold**.

The payout ratio easily fits within the standard 60-75% range in each year under all scenarios.

Council staff recommendation: For G.O. Bonds, retain the $295 million annual guidelines and targets—and $1.77 billion guideline for FY15-20—adopted by the Council last October.

2. Implementation ('overbooking') rates. The implementation rate for a given year is the total amount of spending in that year divided by the amount of expenditures initially programmed for that year. An implementation rate is actually a mixture of three factors: the degree to which programmed expenditures in a year are actually spent in that year; the degree to which programmed expenditures from a previous year are lapsed into a subsequent year; and the degree to which the Council approves supplemental and special appropriations which result in additional spending. The implementation rate allows the Council to 'overbook' the CIP to some degree, knowing that not all the funds programmed will actually be spent. The implementation rate assumed in the FY13-18 CIP amended in May was 85.7% for FYs14-18. This means that the Council overbooked G.O. bond-funded funding in the Amended CIP in those years by about 16.7%, or about one-sixth (1.00/.857=1.1668611...).

Council staff has asked OMB to calculate the implementation rate for each agency for the last full fiscal year for General Obligation Bond proceeds, and to array these rates against those of the prior four years. The calculations are on ©18. A summary of the results is below:

Table 2: Implementation Rates by Program and Year for G.O. Bond Funds (nearest %)

	FY09	FY10	FY11	FY12	FY13	5yr avg
MCPS	104	85	78	114	115	**99**
Mont. College	52	64	48	168	164	**99**
Parks	50	128	70	69	509	**165**
Transportation	95	79	155	77	101	**102**
MCG-Other	64	70	61	33	69	**59**
TOTAL	**87**	**79**	**87**	**80**	**100**	**86**

Since rates can fluctuate widely from one year to the next strictly due to the experience on a few large projects or even based on when bills happen to be paid, the best indicator for the future forecast of implementation rates is a multi-year average, not the rate from a particular year. Here are the overall implementation rates over the past 15 years:

Table 3: Recent History of Implementation Rates for G.O. Bonds

FY99	93.56%
FY00	83.29%
FY01	115.14%
FY02	87.18%
FY03	95.31%
FY04	91.17%
FY05	70.11%
FY06	103.86%
FY07	64.37%
FY08	94.42%
FY09	86.92%
FY10	78.81%
FY11	87.13%
FY12	79.63%
FY13	99.80%

The average implementation rate across agencies over the past five years has been 86.46%. For the past several years the Executive and Council generally have adhered to whatever the average implementation rate has been over the prior five years, and so the Executive assumes an 86.46% implementation rate for each year of the new CIP. This would allow G.O. bond spending in the CIP to be overbooked by about 15.7% annually (1.00/0.8646 = 1.1566042...), or about $287.65 million overall.

Council staff concurs with using the 86.46% implementation rate for the FY15-20 CIP. The Executive's recommendation is consistent with the recent practice for setting the rate.

3. Inflation rates. The inflation rates in the adjustment charts are not supposed to measure construction cost inflation, but general inflation: they are a means of translating the general value of the annual bond guidelines and targets so that they can be compared against aggregate CIP expenditures, which are expressed in constant dollars. The Department of Finance takes the lead in developing inflation forecasts. Finance is now assuming the annual inflation rates to be 0.20% lower in FY15, 0.23% lower in FY16, 0.25% lower in FY17, 0.15% lower in FY18.

Finance often updates these assumptions during the winter based on more recent trends, in preparation for the Executive's Recommended Operating Budget and Public Services Program (PSP). The Council uses the same rates in the CIP as in the PSP. **Council staff recommendation: Use the Executive's recommendations for now. When Finance's updates the rates later this winter Council staff will report their effect on the funds available for programming.** Table 4 shows the inflation assumptions used in the recently approved CIPs and the Recommended CIP ('**FY15-20 Rec**'):

<u>Table 4</u>: Inflation Assumptions in Recent CIPs (%)

CIP	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
FY11-16	2.10	2.25	2.45	2.60	2.80	3.00				
FY11-16 Am	2.10	2.40	2.70	3.00	3.20	3.40				
FY13-18			2.70	2.90	2.85	2.65	2.65	2.70		
FY13-18 Am			2.70	2.32	2.40	2.73	3.15	3.45		
FY15-20 Rec					**2.20**	**2.50**	**2.90**	**3.30**	**3.70**	**4.10**

4. Set-aside for bond-funded projects. In building the CIP the Council has always set aside some funding capacity to cover anticipated and unanticipated contingencies. The set-asides will be needed for: (1) the design, land acquisition, and construction cost of projects currently in facility planning, whether they be roads, schools, or anything else; (2) the inevitable cost increases that occur once more is known about the scope of projects and the problems that must be overcome to deliver them; and (3) the one-time needs or opportunities that cannot be foreseen. The set-asides in prior CIPs are shown in Table 5, and the Executive's latest recommendations are in **bold type**:

<u>Table 5</u>: Capital Set-Asides for General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	6-Yr	%
FY11-16	12.4	12.6	16.4	26.2	49.7	87.7					205.0	8.6
FY11-16 Am	2.6	13.0	17.9	20.5	25.3	65.7					145.0	6.4
FY13-18			9.8	13.6	18.7	28.4	47.9	57.7			176.1	7.6
FY13-18 Am			0.0	18.9	21.5	24.6	24.7	45.3			135.0	6.1
FY15-20 Rec					**12.0**	**24.9**	**29.3**	**22.4**	**55.8**	**59.7**	**204.2**	**8.8**

The set-asides in the last several "full" CIPs have been in the 7.5-9% range. (In off-years for the CIP, where there is essentially only 5 years remaining in the CIP period, the set-asides have been in the 6-6.5% range.) The Executive currently recommends a set-aside of about $204 million, or 8.8% of the funds available for programming. However, Executive staff has noted that the Executive will transmit some revisions later this winter on a few projects where cost estimates and schedules are still being developed, so his ultimate recommendation will be to set aside an amount equal to about 8% of funds available for programming, well within the 7.5-9% range.

Council staff recommendation: Start with a set-aside that is $15 million less than that now proposed by the Executive: $2.5 million less in FYs17-18 and $5 million less in FYs19-20. Even with the Executive's subsequent proposed CIP revisions, the set-aside would still be about 7.5% of funds available for programming.

5. PAYGO. Typically the CIP dedicates a certain amount of current revenue as an offset against bond expenditures, also called PAYGO. The County policy starting in FY08 was to peg the amount of PAYGO in a year to at least 10% of the G.O. bond guideline or target for that year. In FYs09-11 the Executive and Council did not adhere to this policy for the budget year, as this form of current revenue was needed for the Operating Budget in those years. The Council has followed the policy since FY12, though.

The PAYGO assumptions in recent CIPs are in Table 6. The Executive's recommendation is to fund PAYGO at $32.45 million annually, 10% of his recommend G.O. bond spending level of $324.5 million annually. PAYGO should at least 10% of whatever G.O. bond level is selected. However, it can be larger than 10%, and—in addition to not raising the G.O. Bond limit—a higher percentage for PAYGO should further bolster the County's fiscal standing with the bond rating agencies.

Council staff recommendation: Regarding PAYGO, concur with Executive's $32.45 million recommendation for FY15, but retain the $40.5 million level for FY16, retain the FY17 and FY18 levels at $50.5 million, and extend the $50.5 million assumption into FYs19-20. The PAYGO programmed in the last few CIPs are shown in Table 6, with the Executive's and Council staff's (CS) recommendations displayed in **bold type**:

<u>Table 6</u>: 'Regular' PAYGO Assumptions in Recent CIPs ($ millions)

CIP	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	6-Yr
FY09-14 Rec	5.4	30.0	30.0	30.0	30.0	30.0							155.4
FY09-14 Am	5.4	1.3	31.5	32.5	29.0	30.0							129.7
FY11-16			0.0	32.5	32.5	32.5	32.5	32.5					162.5
FY11-16 Am			0.0	31.0	32.5	32.5	32.5	32.5					161.0
FY13-18					29.5	35.5	55.5	55.5	55.5	55.5			287.0
FY13-18 Am					29.5	29.5	40.5	40.5	50.5	50.5			241.0
FY15-20 Rec							**32.45**	**32.45**	**32.45**	**32.45**	**32.45**	**32.45**	**194.7**
FY15-20 CS							**32.45**	**40.5**	**50.5**	**50.5**	**50.5**	**50.5**	**274.95**

II. RECORDATION TAXES AND IMPACT TAXES

*1. **Recordation tax revenue.*** In 2002 the Council approved an increase to the County's recordation tax. The proceeds from this increment are to be used to supplement capital funding for any MCPS project or Montgomery College information technology project. These funds are essentially types of PAYGO and Current Revenue.

Seven years ago the Council amended the recordation tax to increase the rate by $3.10/$1,000 (i.e., 0.31%) for the amount of value of a transaction greater than $500,000. Half of the incremental revenue is dedicated to rental assistance programs and half to County Government capital projects (e.g., roads, libraries, police and fire stations). This has been called the Recordation Tax Premium. The Council approved legislation that allowed funds from both forms of the recordation tax to be used for the Operating Budget in FY11 and FY12, so far less of these funds were made available to the CIP in those years, but subsequently revenues collected from these sources returned to their originally intended uses.

Revenue from the Recordation Tax—School Increment since FY03 is displayed in Table 7, below:

Table 7: Revenue from the 'School Increment' of the Recordation Tax

FY03	$23,199,460
FY04	33,857,701
FY05	39,684,570
FY06	44,860,925
FY07	32,738,324
FY08	25,247,523
FY09	18,246,176
FY10	18,459,234
FY11	20,163,790
FY12	20,188,936
FY13	27,640,951
FY14 (first half)	14,179,149

Finance's forecast for the school increment has increased 15-18% over the estimates used in the Amended FY13-18 CIP (see ©19). This is based on the rising activity in re-financings and home sales in the past few years. The changes are highlighted in the table below:

Table 8: Revenue Assumptions for the Recordation Tax—School Increment ($000)

	FY15	FY16	FY17	FY18	FY19	FY20
FY13-18 Am	26,203	27,505	29,286	31,521	-	-
FY15-20 Rec	**30,775**	**32,693**	**33,700**	**35,032**	**36,218**	**37,036**

Council staff recommendation: Concur with the Executive's assumptions for the Recordation Tax—School Increment.

Revenue from the Recordation Tax Premium was $9,300,872 in FY13 and is $4,733,457 midway through FY14 (©19). Again, this represents half of the collections from the Premium; the other half is allocated to funding rental assistance programs. Finance is projecting slow growth in Premium collections over the next several years. The comparison of the current and proposed assumptions is displayed below:

Table 9: CIP Revenue Assumptions from the Recordation Tax Premium ($000)

	FY15	FY16	FY17	FY18	FY19	FY20
FY13-18 Am	8,601	9,029	9,614	10,347		
FY15-20 Rec	**8,631**	**9,169**	**9,451**	**9,825**	**10,157**	**10,387**

Council staff recommendation: Concur with the Executive's assumptions for the Recordation Tax Premium.

*2. **Impact taxes.*** For several years revenue from impact taxes was overestimated, leading to the need to supplant impact tax revenue with General Fund advances which ultimately are reimbursed with funds that otherwise could be used for other projects in the CIP. Starting with the Approved FY11-16 CIP, the Council initiated the practice of assuming conservative revenue estimates for impact taxes. At CIP Reconciliation, if actual revenue proved to be somewhat higher, the Council would be in the happier position to program the additional amount.

Regarding the Transportation Impact Tax, the Executive is recommending only a modest increase in revenue. Although development has picked up recently, the net revenue from the Transportation Impact Tax has regularly been dampened by developers cashing in credits for the roads and other capacity-adding projects they have built. Revenue from this tax is very difficult to predict due to when credits are cashed in. Furthermore, note that the revenue in this forecast applies only to the "General District" (most of the county), not for the revenue from the Gaithersburg and Rockville Districts, which by law can be used only for projects in MOUs between the County and the respective municipalities.

Table 10: Transportation Impact Tax "General District" Revenue Estimates ($000)

	FY15	FY16	FY17	FY18	FY19	FY20
FY13-18 Am	3,977	4,712	4,006	4,193		
FY15-20 Rec	**4,468**	**4,672**	**4,672**	**4,727**	**4,727**	**4.775**

Council staff recommendation: Concur with the Executive's Transportation Impact Tax forecast.

On the other hand, revenue from the School Impact Tax has burgeoned within the last few years as the market for new housing has recovered.[1] The revenue collected from this tax since it was initiated in FY04 is shown below:

Table 11: Revenue from the School Impact Tax

FY04	$434,713
FY05	7,695,345
FY06	6,960,032
FY07	9,562,889
FY08	6,766,534
FY09	7,925,495
FY10	11,473,071
FY11	14,480,846
FY12	16,462,394
FY13	27,901,753
FY14 (first half)	22,873,634

Since fewer new houses receive their occupancy permits in the fall than in the spring, the first half of a fiscal year has represented about 45% of the annual collections, on average. If this were to hold true for FY14, the County will collect revenue in excess of $50 million from the School Impact Tax this year.

[1] Unlike for the Transportation Impact Tax, credits against the School Impact Tax are rare.

As a result of this recent trend, Finance recommends raising the revenue expectation by about a third, from $18 million annually to figures in the $23-25 million range. Council staff believes even this may be too conservative, since it can be expected that the housing market will need to catch up for the pent-up demand from the recession. Furthermore, the impact tax rates are adjusted up biennially to reflect construction cost inflation; this does not seem to be reflected in Finance's estimate.

Council staff recommendation: Assume $38 million annually from the School Impact Tax. Certainly we should not expect that the FY14 experience will continue, but much higher revenue from this tax can be anticipated. The Executive's and Council staff's (CS) recommendations for the School Impact Tax are displayed below in **bold type**:

Table 12: School Impact Tax Revenue Estimates ($000)

	FY15	FY16	FY17	FY18	FY19	FY20
FY13-18 Am	18,000	18,000	18,000	18,000		
FY15-20 Rec	**24,593**	**25,076**	**24,434**	**24,071**	**23,422**	**23,003**
FY15-20 CS	**38,000**	**38,000**	**38,000**	**38,000**	**38,000**	**38,000**

III. STATE SCHOOL CONSTRUCTION AID

The CIP approved last May estimated $40 million of State school construction aid for FYs15-18. The Executive recommends continuing to use this assumption, and extending it through FYs19-20. The Board of Education is also relying on at least this amount to fund its request. Usually the State funds about what the Council has assumed. For example, the last full CIP had assumed $40 million of State aid in both FY13 and FY14; in FY13 the State funded $43.1 million, while in FY14 it is funding $35.1 million.

Council staff recommendation: Use the Executive's estimates for now. The Education Committee will evaluate these estimates further during its review of the BOE's CIP request.

In addition, the Executive is also recommending that the State issue an additional $230.7 million in School Financing Bonds, providing proceeds of $72 million in FY16, $149 million in FY17, and $9.7 million in FY18. This initiative requires action by the General Assembly, and it is uncertain that it will approve a bill authorizing these bonds during this session.

Council staff recommendation: Do not program any of the $230.7 million of School Financing Bonds until or unless it is approved by the General Assembly. Otherwise the County will be saddled with a financial obligation for which it will not have the funds to support. Furthermore, the proposal assumes that the County would pay part of the debt service on these bonds, but that debt service has not been included in the G.O. Bond debt capacity analyses on ©10-17. If it were, the indicators would perform even more poorly, suggesting that spending with G.O. Bond proceeds might need to be reduced.

IV. CURRENT REVENUE

The Executive's proposed Current Revenue Adjustment Chart is on ©20. The Executive is recommending that about $357.0 million of tax-supported Current Revenue be available in FY15-20 (inflation adjusted), about $41.0 million (12.2%) more than in the Amended FY13-18 CIP. The overall increase is due to higher levels in the new CIP years (FYs19-20) than in the two years in the rear window (FYs13-14). Current Revenue levels in past CIPs and the Recommended CIP are shown below:

Table 13: Current Revenue in Recent CIPs ($ millions)

CIP	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	6-Yr
FY11-16	23.8	40.9	56.1	77.0	77.9	56.9					332.7
FY11-16 Am	25.5	35.0	57.6	76.6	74.7	57.0					326.3
FY13-18			50.2	81.4	57.9	54.9	52.5	59.4			356.3
FY13-18 Am			50.9	53.2	59.6	56.6	53.5	61.4			335.3
FY15-20 Rec					**52.8**	**64.0**	**60.9**	**64.1**	**70.1**	**64.4**	**376.3**

Council staff recommendation: Concur with the Executive, for now. If past is prologue, these expenditures will change somewhat when the Executive transmits his Recommended FY15 Operating Budget in March.

V. PARK AND PLANNING BONDS

The Council initially approved spending affordability guidelines for bonds issued by the Maryland-National Capital Park and Planning Commission (M-NCPPC) of $6.0 million for FY15, $6.0 million for FY16 and $36.0 million for FY15-20. In his January submission the Executive recommended the existing guidelines and using the new inflation rates now proposed for G.O. bonds. He also is assuming an implementation rate of 75% for each year, just as in the Amended FY13-18 CIP (©21).

The Executive's recommended set-aside of about $3.3 million comprises about 7.2% of the funds available for projects, which is a much lower than the 19.4% in the Approved CIP as amended and than what has traditionally has been reserved. This means there will be little flexibility to add local park projects or to increase funding for such current projects, unless in the future the Council were to approve higher guidelines for bonds issued by M-NCPPC.

Council staff recommendation: Concur with the Executive in retaining the current guidelines and targets for bonds issued by M-NCPPC.

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c. In any agreement by the county relating to revenue bonds; and

(2) Compel the performance of all duties required by:

a. This article; or

b. A resolution authorizing revenue bonds; or

c. Any agreement by the county relating to revenue bonds, in accordance with law. (1986 L.M.C., ch. 52, § 1.)

Sec. 20-54. Credit of county not pledged.

(a) Revenue bonds are not indebtedness of the county within the meaning of the Charter and do not constitute a pledge of the full faith and credit of the county.

(b) All revenue bonds must contain a statement on their face to the effect that the full faith and credit of the county is not pledged to pay their principal, interest, or premium, if any. (1986 L.M.C., ch. 52, § 1.)

ARTICLE X. SPENDING AFFORDABILITY—CAPITAL BUDGETS*

Sec. 20-55. Definitions.

In this Article, the following terms have the meanings indicated:

(a) *"Aggregate capital budget"* means all capital budgets approved by the County Council.

(b) *"Capital improvements program"* means the comprehensive 6-year program for capital improvements submitted by the County Executive to the County Council under Section 302 of the Charter.

(c) *"Council"* means the County Council sitting as a spending affordability committee under Section 305 of the Charter. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

***Editor's note**—See County Attorney Opinion dated 10/30/91-A describing the additions to Charter § 305 by Question F as not conflicting with the TRIM amendment.

Prior to its repeal and reenactment by CY 1991 L.M.C., ch. 29, Art. X was entitled "Spending Affordability;" consisted of §§ 20-55—20-59, and was derived from CY 1991 L.M.C., ch. 1, § 1.

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Sec. 20-56. Establishment of Guidelines.

(a) *General.* The Council must adopt spending affordability guidelines for the aggregate capital budget under this Article.

(b) *Content.* The guidelines for the aggregate capital budget must specify the:

(1) total general obligation debt issued by the County that may be planned for expenditure in the first fiscal year under the capital improvements program;

(2) total general obligation debt issued by the County that may be planned for expenditure in the second fiscal year under the capital improvements program;

(3) total general obligation debt issued by the County that may be approved under the 6-year capital improvements program;

(4) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the first fiscal year under the capital improvements program for projects in the County;

(5) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the second fiscal year under the capital improvements program for projects in the County; and

(6) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission for projects in the County that may be approved under the 6-year capital improvements program.

(c) *Procedures.*

(1) The Council must adopt spending affordability guidelines for the aggregate capital budget, by resolution, not later than the first Tuesday in October in each odd-numbered calendar year.

(2) The council must hold a public hearing before it adopts guidelines under paragraph (1).

(3) The Council may delegate responsibility for monitoring relevant affordability indicators to its standing committee with jurisdiction over spending affordability matters.

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(4) Not later than the first Tuesday in February of each year, the Council may, subject to paragraph (5), amend the resolution establishing the guidelines to reflect a significant change in conditions. An amendment may alter a guideline by either an upward or downward adjustment in dollar amount.

(5) Any upward adjustment of a dollar amount under paragraph (4) for a guideline required by subsection (b)(1), (b)(2), (b)(4), or (b)(5) must not exceed 10%. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-57. Affordability Indicators.

In adopting its guidelines, the Council should consider, among other relevant factors:

(a) the growth and stability of the local economy and tax base;

(b) criteria used by major rating agencies related to creditworthiness, including maintenance of a "AAA" general obligation bond rating;

(c) County financial history;

(d) fund balances;

(e) bonded debt as a percentage of the full value of taxable real property;

(f) debt service as a percentage of operating expenditures;

(g) the effects of proposed borrowing on levels of debt per-capita, and the ability of County residents to support such debt as measured by per-capita debt as a percentage of per-capita income;

(h) the rate of repayment of debt principal;

(i) availability of State funds for County capital projects;

(j) potential operation and maintenance costs relating to debt financed projects; and

(k) the size of the total debt outstanding at the end of each fiscal year. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-58. Approval of Capital Budgets.

Any aggregate capital budget that exceeds the spending affordability guidelines in effect after the first Tuesday in February requires the affirmative vote of 7 councilmembers for approval. (CY 1991 L.M.C., ch. 29, § 2.)

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY15-20 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

JANUARY 15, 2014

($ millions)	6 YEARS	FY15	FY16	FY17	FY18	FY19	FY20
BONDS PLANNED FOR ISSUE	1,947.000	324.500	324.500	324.500	324.500	324.500	324.500
Plus PAYGO Funded	194.700	32.450	32.450	32.450	32.450	32.450	32.450
Adjust for Implementation **	287.650	50.818	50.818	49.243	47.507	45.631	43.633
Adjust for Future Inflation **	(110.201)	-	-	(10.060)	(21.142)	(33.123)	(45.877)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,319.149	407.768	407.768	396.133	383.316	369.458	354.706
Less Set Aside: Future Projects	204.185 8.80%	12.046	24.864	29.302	22.434	55.815	59.724
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	2,114.964	395.722	382.904	366.831	360.882	313.643	294.982
MCPS	(784.221)	(142.257)	(150.938)	(124.338)	(146.993)	(113.576)	(106.119)
MONTGOMERY COLLEGE	(156.969)	(37.535)	(35.385)	(34.840)	(10.056)	(13.917)	(25.236)
M-NCPPC PARKS	(67.106)	(9.107)	(11.103)	(13.135)	(11.977)	(10.472)	(11.312)
TRANSPORTATION	(546.231)	(90.820)	(71.836)	(74.582)	(77.018)	(121.164)	(110.811)
MCG - OTHER	(623.439)	(160.622)	(124.645)	(124.865)	(117.155)	(54.648)	(41.504)
Programming Adjustment - Unspent Prior Years*	63.002	44.619	11.003	4.929	2.317	0.134	-
	-						
SUBTOTAL PROGRAMMED EXPENDITURES	(2,114.964)	(395.722)	(382.904)	(366.831)	(360.882)	(313.643)	(294.982)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		2.20%	2.50%	2.90%	3.30%	3.70%	4.10%
Implementation Rate =		86.46%	86.46%	86.46%	86.46%	86.46%	86.46%

(4)

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

September 24, 2013

TO: Nancy Navarro, President, County Council

FROM: Isiah Leggett, County Executive Timothy L. Firestine (ACTING)

SUBJECT: Spending Affordability, FY15-20 Capital Improvements Program

I recommend that the County Council adopt Spending Affordability Guidelines for County General Obligation bonds as displayed in the attached Debt Capacity scenario, with $295.0 million in bonds planned for annual issue in FY15-FY20, for a total of $1.77 billion for the six-year period. This will maintain our currently approved spending guidelines for the six year period.

I believe this recommendation provides the best balance between the needs of the capital and operating budgets. As our debt service payments grow, crowding out programs supported through the operating budget, consideration of this balance becomes even more critical. An analysis of operating budget debt service costs shows that without adding any additional debt, our annual tax-supported debt service costs will increase from $309.2 million in FY14 to $392.6 million in FY19 – an $83.4 million increase over the five year period. In FY14, debt service costs are larger than any County department budget or the budgets for non-MCPS outside agencies.

One of the scenarios proposed for the public hearing would increase the annual G.O. bond issuance to $325 million. If Council adopts this proposal, annual debt service would increase by an additional $12.3 million dollars from FY15 to FY20. The cumulative impact of that increase from FY15-20 would be $33 million. The attached list highlights some of the operating budget tradeoffs in public safety, safety net, and maintenance of core infrastructure that will need to be made if increased debt scenarios are approved.

Operating budget impacts from the capital budget will be further compounded if additional bonds are used to build additional, new facilities requiring more funding to staff and operate them. At a time when citizens are asking us to do a better job of maintaining existing facilities, we should avoid raising false expectations if we cannot afford to operate these new facilities.

For the last several years, the County Council and the Executive branch have worked collaboratively to strengthen our underlying finances, to improve our fiscal flexibility, and to address concerns raised by the bond rating agencies, while weathering a significant recession and weak recovery. Our joint commitment to these principles has successfully maintained our AAA bond rating, yielding the lowest possible debt service costs over the 20-year life of the bonds.

In addition, a key component of our fiscal restructuring was an acknowledgement that containing debt service costs was necessary to provide funding for vital operating expenses and to maintain fiscal flexibility, should additional revenue shortfalls or unanticipated expenditures occur. This flexibility is even more important now that State Maintenance of Effort requirements for Montgomery County Public Schools and Montgomery College have limited our budget options.

Some Council members may want to consider reducing the annual bond issue since we will exceed our debt affordability indicators under my recommended $295 million bond issue. I do not recommend further bond reductions at this time, given our significant school capacity, economic development, and infrastructure needs.

For Park and Planning bonds, I recommend annual Spending Affordability Guidelines of $6.0 million in FY15-FY20, with a total of $36.0 million for the six-year period – an amount equal to the current guidelines. The Maryland National Capital Park and Planning Commission's operating budget has many cost pressures that are inflexible (i.e. labor agreements, utilities, necessary maintenance to preserve facilities, etc). Increasing debt service costs, as indicated as a possible option in the Council Spending Affordability Guidelines public hearing packet, in a time of uncertain operating revenues would just add to these problems.

Thank you for your consideration. Executive branch staff will be available to assist you in Council worksessions as we work together to balance the capital and operating budget needs.

IL:mcb

Attachments

c: Timothy L. Firestine, Chief Administrative Officer
Thomas Street, Assistant Chief Administrative Officer
Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance
Melanie Wenger, Director, Office of Intergovernmental Relations
Françoise Carrier, Chairman, Montgomery County Planning Board

Operating Budget Tradeoffs
Debt Services vs Services

Every $1 million used for debt service could also be used for:

- 13 public school teachers
- 9 police officers
- 9 fire fighters
- Operating 1 library
- Operating 5 recreation centers
- Rental assistance for 427 families
- 31,250 bednights in family shelters
- 11,111 bednights at overflow motels
- Respite care for 339 clients
- Child care subsidies for 197 children for a year
- Services for 4,124 Montgomery Cares clients
- 1,274 county-funded Maternity Partnership program
- 1,919 Housing Stabilization grants
- Pruning 2,150 trees
- Purchasing 2 buses
- Renovations for 50 bus stops

DEBT CAPACITY ANALYSIS							
FY15-20 Capital Improvements Program FY15-20 SAG SCENARIOS SEPTEMBER 5, 2013 GO BOND 6 YR TOTAL = 1,770.0 MILLION GO BOND FY15 TOTAL = 295.0 MILLION GO BOND FY16 TOTAL = 295.0 MILLION							
	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1 GO Bond Guidelines ($000)	295,000	295,000	295,000	295,000	295,000	295,000	295,000
2 GO Debt/Assessed Value	1.76%	1.76%	1.75%	1.73%	1.70%	1.67%	1.70%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	10.31%	11.36%	11.58%	11.60%	11.28%	11.04%	11.11%
4 $ Debt/Capita	2,848	2,930	2,992	3,043	3,090	3,127	3,185
5 $ Real Debt/Capita (FY14=100%)	2,848	2,861	2,844	2,805	2,753	2,685	2,637
6 Capita Debt/Capita Income	3.71%	3.62%	3.52%	3.44%	3.38%	3.31%	3.38%
7 Payout Ratio	68.62%	68.89%	69.20%	69.57%	69.96%	70.76%	71.50%
8 Total Debt Outstanding ($000s)	2,873,315	2,975,315	3,067,245	3,150,255	3,229,460	3,299,640	3,360,980
9 Real Debt Outstanding (FY14=100%)	2,873,315	2,905,581	2,915,756	2,903,215	2,876,954	2,833,774	2,782,660
10 Note: OP/PSP Growth Assumption (2)		1.0%	4.2%	3.6%	3.9%	3.5%	3.5%

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Notes:

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget and budget to budget for FY16-20.

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DEBT CAPACITY ANALYSIS
KEY ASSUMPTIONS AND INPUTS
Amended FY13-18 CIP (January, 2013) vs. FY15-20 CIP (September, 2013) vs. FY15-20 CIP (January, 2014)

		Current Year FY14	Year 1 FY 15	Year 2 FY 16	Year 3 FY 17	Year 4 FY 18	Year 5 FY 19	Year 6 FY 20
1	INTEREST RATE ON BONDS							
	FY13-18 CIP - January, 2013	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	FY15-20 CIP - September, 2013		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	FY15-20 CIP - January 2014	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
2	OPERATING GROWTH							
	FY13-18 CIP - January, 2013	2.10%	2.80%	2.80%	3.90%	3.70%		
	FY15-20 CIP - September, 2013		1.00%	4.20%	3.60%	3.90%	3.50%	3.50%
	FY15-20 CIP - January 2014	2.60%	2.30%	3.70%	3.10%	3.50%	3.40%	3.50%
3	POPULATION							
	FY13-18 CIP - January, 2013	1,008,880	1,015,400	1,025,160	1,035,020	1,044,970		
	FY15-20 CIP - September, 2013		1,015,440	1,025,250	1,035,150	1,045,150	1,055,250	1,055,250
	FY15-20 CIP - January 2014	1,008,880	1,016,900	1,024,600	1,034,500	1,044,500	1,054,600	1,064,800
4	FY CIP INFLATION							
	FY13-18 CIP - January, 2013	2.29%	2.57%	2.86%	3.14%	3.42%		
	FY15-20 CIP - September, 2013		2.40%	2.73%	3.15%	3.45%	3.73%	3.73%
	FY15-20 CIP - January 2014	2.32%	2.20%	2.50%	2.90%	3.30%	3.70%	4.10%
5	ASSESSABLE BASE-COUNTYWIDE							
	FY13-18 CIP - January, 2013	164,640,000	169,475,000	176,255,000	184,835,000	194,582,000		
	FY15-20 CIP - September, 2013		169,017,000	175,038,000	182,475,000	190,064,000	198,047,000	198,047,000
	FY15-20 CIP - January 2014	163,305,000	168,948,000	176,122,000	185,658,000	195,197,000	202,717,000	210,573,000
6	TOTAL PERSONAL INCOME							
	FY13-18 CIP - January, 2013	78,650,000	83,370,000	88,120,000	91,810,000	94,730,000		
	FY15-20 CIP - September, 2013		82,290,000	87,120,000	91,510,000	95,440,000	99,550,000	99,500,000
	FY15-20 CIP - January 2014	77,480,000	79,820,000	83,650,000	87,950,000	91,670,000	95,360,000	99,350,000

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DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM

DEBT CAPACITY ANALYSIS - COUNCIL SCENARIO REQUEST

Scenario - Guidelines @ **$275Mn - FY15 - FY20**

6 Yr. Total ($Mn.) $1650.0 mn

FY15 Total ($Mn.) $275.0 mn

FY16 Total ($Mn.) $275.0 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	275,000	275,000	275,000	275,000	275,000	275,000
2. GO Debt/Assessed Value	1.5%	1.76%	1.75%	1.72%	1.67%	1.62%	1.58%	1.55%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.31%**	**11.14%**	**11.39%**	**11.48%**	**11.15%**	**11.04%**	**11.17%**
4. $ Debt/Capita		2,848	2,906	2,956	2,990	3,021	3,043	3,058
5. $ Real Debt/Capita	$2,000	2,848	2,844	2,821	2,774	2,713	2,636	2,544
6. Capita Debt/Capita Income	3.5%	3.71%	3.70%	3.62%	3.52%	3.44%	3.37%	3.28%
7. Payout Ratio	60% - 75%	68.62%	69.04%	69.48%	69.94%	70.40%	71.26%	72.05%
8. Total Debt Outstanding ($000s)		2,873,315	2,955,315	3,028,245	3,093,255	3,155,460	3,209,640	3,255,980
9. Real Debt Outstanding ($000s)		2,873,315	2,891,698	2,890,788	2,869,628	2,833,820	2,779,631	2,708,705
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

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DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	275,000	275,000	275,000	275,000	275,000	275,000
GO Bond Debt Service ($000)	277,885	307,935	324,969	339,436	347,844	361,132	375,633
Dollar change in GO Bond debt service (year to year)	15,235	30,051	17,034	14,466	8,409	13,288	14,501
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.53%	4.45%	2.48%	3.82%	4.02%
Dollar change in GO Bond debt service from the base (FY14)		30,051	47,085	61,551	69,960	83,248	97,748
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	364,489	379,045	380,977	389,184	407,594
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)							
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	275,000	275,000	275,000	275,000	275,000	275,000
Increase/(Decrease) in GO bond debt issuance	(120,000)	0	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)

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DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM

DEBT CAPACITY ANALYSIS - COUNCIL SCENARIO REQUEST

Scenario - Guidelines @ **$285Mn - FY15 - FY20**

6 Yr. Total ($Mn.) $1710.0 mn

FY15 Total ($Mn.) $285.0 mn

FY16 Total ($Mn.) $285.0 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	285,000	285,000	285,000	285,000	285,000	285,000
2. GO Debt/Assessed Value	1.5%	1.76%	1.76%	1.73%	1.68%	1.64%	1.61%	1.57%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.31%**	**11.14%**	**11.40%**	**11.52%**	**11.22%**	**11.13%**	**11.28%**
4. $ Debt/Capita		2,848	2,916	2,975	3,018	3,056	3,086	3,107
5. $ Real Debt/Capita	$2,000	2,848	2,853	2,840	2,799	2,745	2,673	2,585
6. Capita Debt/Capita Income	3.5%	3.71%	3.72%	3.64%	3.55%	3.48%	3.41%	3.33%
7. Payout Ratio	60% - 75%	68.62%	68.97%	69.34%	69.76%	70.18%	71.00%	71.77%
8. Total Debt Outstanding ($000s)		2,873,315	2,965,315	3,047,745	3,121,755	3,192,460	3,254,640	3,308,480
9. Real Debt Outstanding ($000s)		2,873,315	2,901,482	2,909,403	2,896,068	2,867,048	2,818,602	2,752,381
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	285,000	285,000	285,000	285,000	285,000	285,000
GO Bond Debt Service ($000)	277,885	307,935	325,219	340,686	350,069	364,307	379,733
Dollar change in GO Bond debt service (year to year)	15,235	30,051	17,284	15,466	9,384	14,238	15,426
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.61%	4.76%	2.75%	4.07%	4.23%
Dollar change in GO Bond debt service from the base (FY14)		30,051	47,335	62,801	72,185	86,423	101,848
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	364,739	380,295	383,202	392,359	411,694
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	285,000	285,000	285,000	285,000	285,000	285,000
Increase/(Decrease) in GO bond debt issuance	(60,000)	0	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)

DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM

DEBT CAPACITY ANALYSIS - COUNCIL SCENARIO REQUEST

Scenario - Guidelines @ **$295Mn - FY15 - FY20**

6 Yr. Total ($Mn.) $1770.0 mn

FY15 Total ($Mn.) $295.0 mn

FY16 Total ($Mn.) $295.0 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	295,000	295,000	295,000	295,000	295,000	295,000
2. GO Debt/Assessed Value	1.5%	1.76%	1.76%	1.74%	1.70%	1.65%	1.63%	1.60%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	**10.31%**	**11.14%**	**11.41%**	**11.56%**	**11.28%**	**11.22%**	**11.39%**
4. $ Debt/Capita		2,848	2,926	2,994	3,045	3,092	3,129	3,156
5. $ Real Debt/Capita	**$2,000**	2,848	2,863	2,858	2,825	2,777	2,710	2,626
6. Capita Debt/Capita Income	3.5%	3.71%	3.73%	3.67%	3.58%	3.52%	3.46%	3.38%
7. Payout Ratio	60% - 75%	68.62%	68.89%	69.20%	69.57%	69.96%	70.76%	71.50%
8. Total Debt Outstanding ($000s)		2,873,315	2,975,315	3,067,245	3,150,255	3,229,460	3,299,640	3,360,980
9. Real Debt Outstanding ($000s)		2,873,315	2,911,267	2,928,018	2,922,507	2,900,277	2,857,573	2,796,057
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	295,000	295,000	295,000	295,000	295,000	295,000
GO Bond Debt Service ($000)	277,885	307,935	325,469	341,936	352,294	367,482	383,833
Dollar change in GO Bond debt service (year to year)	15,235	30,051	17,534	16,466	10,359	15,188	16,351
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.69%	5.06%	3.03%	4.31%	4.45%
Dollar change in GO Bond debt service from the base (FY14)		30,051	47,585	64,051	74,410	89,598	105,948
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	364,989	381,545	385,427	395,534	415,794
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Increase/(Decrease) in GO bond debt issuance	0	0	0	0	0	0	0	0

(12)

DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS - COUNCIL SCENARIO REQUEST
Scenario - Guidelines @ **$305Mn - FY15 - FY20**
6 Yr. Total ($Mn.) $1830.0 mn
FY15 Total ($Mn.) $305.0 mn
FY16 Total ($Mn.) $305.0 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	305,000	305,000	305,000	305,000	305,000	305,000
2. GO Debt/Assessed Value	1.5%	1.76%	1.77%	1.75%	1.71%	1.67%	1.65%	1.62%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.31%**	**11.14%**	**11.42%**	**11.59%**	**11.35%**	**11.31%**	**11.50%**
4. $ Debt/Capita		2,848	2,936	3,013	3,073	3,127	3,171	3,206
5. $ Real Debt/Capita	$2,000	2,848	2,873	2,876	2,851	2,809	2,747	2,667
6. Capita Debt/Capita Income	3.5%	3.71%	3.74%	3.69%	3.61%	3.56%	3.51%	3.44%
7. Payout Ratio	60% - 75%	68.62%	68.81%	69.07%	69.39%	69.75%	70.52%	71.25%
8. Total Debt Outstanding ($000s)		2,873,315	2,985,315	3,086,745	3,178,755	3,266,460	3,344,640	3,413,480
9. Real Debt Outstanding ($000s)		2,873,315	2,921,052	2,946,633	2,948,947	2,933,505	2,896,544	2,839,732
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

(13)

DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	305,000	305,000	305,000	305,000	305,000	305,000
GO Bond Debt Service ($000)	277,885	307,935	325,719	343,186	354,519	370,657	387,933
Dollar change in GO Bond debt service (year to year)	15,235	30,051	17,784	17,466	11,334	16,138	17,276
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.78%	5.36%	3.30%	4.55%	4.66%
Dollar change in GO Bond debt service from the base (FY14)		30,051	47,835	65,301	76,635	92,773	110,048
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	365,239	382,795	387,652	398,709	419,894
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)							
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	305,000	305,000	305,000	305,000	305,000	305,000
Increase/(Decrease) in GO bond debt issuance	60,000	0	10,000	10,000	10,000	10,000	10,000	10,000

DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM
DEBT CAPACITY ANALYSIS - COUNCIL SCENARIO REQUEST
Scenario - Guidelines @ **$315Mn - FY15 - FY20**
6 Yr. Total ($Mn.) $1890.0 mn
FY15 Total ($Mn.) $315.0 mn
FY16 Total ($Mn.) $315.0 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	315,000	315,000	315,000	315,000	315,000	315,000
2. GO Debt/Assessed Value	1.5%	1.76%	1.77%	1.76%	1.73%	1.69%	1.67%	1.65%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	**10.31%**	**11.14%**	**11.42%**	**11.63%**	**11.41%**	**11.40%**	**11.62%**
4. $ Debt/Capita		2,848	2,946	3,032	3,100	3,163	3,214	3,255
5. $ Real Debt/Capita	$2,000	2,848	2,882	2,894	2,876	2,840	2,784	2,708
6. Capita Debt/Capita Income	3.5%	3.71%	3.75%	3.71%	3.65%	3.60%	3.55%	3.49%
7. Payout Ratio	60% - 75%	68.62%	68.74%	68.94%	69.22%	69.54%	70.28%	71.00%
8. Total Debt Outstanding ($000s)		2,873,315	2,995,315	3,106,245	3,207,255	3,303,460	3,389,640	3,465,980
9. Real Debt Outstanding ($000s)		2,873,315	2,930,837	2,965,247	2,975,386	2,966,734	2,935,515	2,883,408
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

14

DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	315,000	315,000	315,000	315,000	315,000	315,000
GO Bond Debt Service ($000)	277,885	307,935	325,969	344,436	356,744	373,832	392,033
Dollar change in GO Bond debt service (year to year)	15,235	30,051	18,034	18,466	12,309	17,088	18,201
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.86%	5.67%	3.57%	4.79%	4.87%
Dollar change in GO Bond debt service from the base (FY14)		30,051	48,085	66,551	78,860	95,948	114,148
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	365,489	384,045	389,877	401,884	423,994
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)							
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	315,000	315,000	315,000	315,000	315,000	315,000
Increase/(Decrease) in GO bond debt issuance	120,000	0	20,000	20,000	20,000	20,000	20,000	20,000

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DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM

DEBT CAPACITY ANALYSIS December 19 2013

Scenario - Guidelines @ **$324.5Mn - FY15 - FY20**

6 Yr. Total ($Mn.) $1947.0 mn

FY15 Total ($Mn.) $324.5 mn

FY16 Total ($Mn.) $324.5 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	324,500	324,500	324,500	324,500	324,500	324,500
2. GO Debt/Assessed Value	1.5%	1.76%	1.78%	1.77%	1.74%	1.71%	1.69%	1.67%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.31%**	**11.14%**	**11.43%**	**11.67%**	**11.47%**	**11.49%**	**11.72%**
4. $ Debt/Capita		2,848	2,955	3,050	3,126	3,196	3,255	3,302
5. $ Real Debt/Capita	$2,000	2,848	2,891	2,911	2,900	2,871	2,819	2,747
6. Capita Debt/Capita Income	3.5%	3.71%	3.76%	3.74%	3.68%	3.64%	3.60%	3.54%
7. Payout Ratio	60% - 75%	68.62%	68.67%	68.81%	69.05%	69.35%	70.07%	70.77%
8. Total Debt Outstanding ($000s)		2,873,315	3,004,815	3,124,770	3,234,330	3,338,610	3,432,390	3,515,855
9. Real Debt Outstanding ($000s)		2,873,315	2,940,132	2,982,932	3,000,504	2,998,301	2,972,538	2,924,900
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

15

DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	324,500	324,500	324,500	324,500	324,500	324,500
GO Bond Debt Service ($000)	277,885	307,935	326,207	345,623	358,858	376,848	395,928
Dollar change in GO Bond debt service (year to year)	15,235	30,051	18,271	19,416	13,235	17,990	19,079
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.93%	5.95%	3.83%	5.01%	5.06%
Dollar change in GO Bond debt service from the base (FY14)		30,051	48,322	67,739	80,974	98,964	118,043
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	365,727	385,233	391,991	404,901	427,889
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)							
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	324,500	324,500	324,500	324,500	324,500	324,500
Increase/(Decrease) in GO bond debt issuance	177,000	0	29,500	29,500	29,500	29,500	29,500	29,500

DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM

DEBT CAPACITY ANALYSIS January 15, 2014

Scenario - Guidelines @ **$324.5Mn - FY15 - FY16, $330.0 Mn FY17-20**

6 Yr. Total ($Mn.) $1969.0 mn

FY15 Total ($Mn.) $324.5 mn

FY16 Total ($Mn.) $324.5 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	324,500	324,500	330,000	330,000	330,000	330,000
2. GO Debt/Assessed Value	1.5%	1.76%	1.78%	1.77%	1.75%	1.72%	1.70%	1.68%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.31%**	**11.14%**	**11.43%**	**11.67%**	**11.49%**	**11.52%**	**11.77%**
4. $ Debt/Capita		2,848	2,955	3,050	3,132	3,207	3,270	3,321
5. $ Real Debt/Capita	$2,000	2,848	2,891	2,911	2,905	2,880	2,832	2,763
6. Capita Debt/Capita Income	3.5%	3.71%	3.76%	3.74%	3.68%	3.65%	3.62%	3.56%
7. Payout Ratio	60% - 75%	68.62%	68.67%	68.81%	69.01%	69.28%	69.98%	70.65%
8. Total Debt Outstanding ($000s)		2,873,315	3,004,815	3,124,770	3,239,830	3,349,335	3,448,065	3,536,205
9. Real Debt Outstanding ($000s)		2,873,315	2,940,132	2,982,932	3,005,606	3,007,933	2,986,113	2,941,829
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

16

DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	324,500	324,500	330,000	330,000	330,000	330,000
GO Bond Debt Service ($000)	277,885	307,935	326,207	345,761	359,546	378,072	397,674
Dollar change in GO Bond debt service (year to year)	15,235	30,051	18,271	19,554	13,785	18,527	19,602
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.93%	5.99%	3.99%	5.15%	5.18%
Dollar change in GO Bond debt service from the base (FY14)		30,051	48,322	67,876	81,661	100,188	119,790
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	365,727	385,370	392,678	406,124	429,636
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	324,500	324,500	330,000	330,000	330,000	330,000
Increase/(Decrease) in GO bond debt issuance	199,000	0	29,500	29,500	35,000	35,000	35,000	35,000

DEBT CAPACITY ANALYSIS

FY15-20 CAPITAL IMPROVEMENTS PROGRAM

DEBT CAPACITY ANALYSIS January 15, 2014

Scenario - Guidelines @ **$324.5Mn - FY15 - FY16, $340.0 Mn FY17-20**

6 Yr. Total ($Mn.) $2,009.0 mn

FY15 Total ($Mn.) $324.5 mn

FY16 Total ($Mn.) $324.5 mn

	GUIDELINE	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1. GO Bond Guidelines ($000s)		295,000	324,500	324,500	340,000	340,000	340,000	340,000
2. GO Debt/Assessed Value	1.5%	1.76%	1.78%	1.77%	1.75%	1.73%	1.71%	1.70%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**10.31%**	**11.14%**	**11.43%**	**11.68%**	**11.53%**	**11.58%**	**11.86%**
4. $ Debt/Capita		2,848	2,955	3,050	3,141	3,225	3,297	3,356
5. $ Real Debt/Capita	**$2,000**	2,848	2,891	2,911	2,914	2,897	2,855	2,792
6. Capita Debt/Capita Income	**3.5%**	3.71%	3.76%	3.74%	3.70%	3.67%	3.65%	3.60%
7. Payout Ratio	**60% - 75%**	68.62%	68.67%	68.81%	68.94%	69.16%	69.81%	70.46%
8. Total Debt Outstanding ($000s)		2,873,315	3,004,815	3,124,770	3,249,830	3,368,835	3,476,565	3,573,205
9. Real Debt Outstanding ($000s)		2,873,315	2,940,132	2,982,932	3,014,883	3,025,445	3,010,795	2,972,610
10. OP/PSP Growth Assumption			2.3%	3.7%	3.1%	3.5%	3.4%	3.5%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY14 approved budget to FY15 budget for FY15 and budget to budget for FY16-20.

DEBT SERVICE IMPACT	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Assumed Issue Size ($000)	295,000	324,500	324,500	340,000	340,000	340,000	340,000
GO Bond Debt Service ($000)	277,885	307,935	326,207	346,011	360,796	380,297	400,849
Dollar change in GO Bond debt service (year to year)	15,235	30,051	18,271	19,804	14,785	19,502	20,552
Percentage change in GO Bond debt service (year to year)	5.80%	10.81%	5.93%	6.07%	4.27%	5.41%	5.40%
Dollar change in GO Bond debt service from the base (FY14)		30,051	48,322	68,126	82,911	102,413	122,965
STL and LTL Debt Service	33,004	35,663	39,520	39,609	33,133	28,052	31,962
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	310,888	343,598	365,727	385,620	393,928	408,349	432,811
Total Revenues	3,012,809	3,085,431	3,199,469	3,301,633	3,416,624	3,525,422	3,649,753

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Approved GO bond debt issuance		295,000	295,000	295,000	295,000	295,000	295,000	295,000
Assumed GO bond debt issuance		295,000	324,500	324,500	340,000	340,000	340,000	340,000
Increase/(Decrease) in GO bond debt issuance	239,000	0	29,500	29,500	45,000	45,000	45,000	45,000

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COMPARING PROGRAMMED AND ACTUAL EXPENDITURES
GO BOND FUNDING ONLY
FOR FISCAL YEARS 2009 THROUGH 2013

BOND CATEGORY	FY09 ACTUAL BONDS	FY09 PROGRAM.BONDS	FY09 RATE	FY10 ACTUAL BONDS	FY10 PROGRAM.BONDS	FY10 RATE
PUBLIC SCHOOLS	159,832,241	154,430,000	103.50%	105,583,133	124,840,000	84.57%
M. COLLEGE	20,981,433	40,113,000	52.31%	30,014,266	47,155,000	63.65%
M-NCPPC PARKS	5,272,160	10,560,000	49.93%	13,988,737	10,912,000	128.20%
TRANSPORTATION	71,701,540	75,304,000	95.22%	72,845,702	91,706,000	79.43%
MCG-OTHER	40,232,351	62,450,000	64.42%	45,871,618	65,845,000	69.67%
TOTAL	**298,019,725**	**342,857,000**	**86.92%**	**268,303,456**	**340,458,000**	**78.81%**

BOND CATEGORY	FY11 ACTUAL BONDS	FY11 PROGRAM. BONDS	FY11 RATE	FY12 ACTUAL BONDS	FY12 PROGRAM. BONDS	FY12 RATE
PUBLIC SCHOOLS	145,067,484	186,280,000	77.88%	164,637,845	143,988,000	114.34%
M. COLLEGE	13,637,541	28,208,000	48.35%	26,872,476	16,038,000	167.56%
M-NCPPC PARKS	7,897,616	11,332,000	69.69%	6,955,643	10,040,000	69.28%
TRANSPORTATION	115,327,299	74,634,000	154.52%	60,890,776	78,638,000	77.43%
MCG-OTHER	47,756,828	77,936,000	61.28%	43,043,172	131,044,000	32.85%
TOTAL	**329,686,768**	**378,390,000**	**87.13%**	**302,399,912**	**379,748,000**	**79.63%**

BOND CATEGORY	FY13 ACTUAL BONDS	FY13 PROGRAM. BONDS	FY13 RATE	LAST 5 YEAR AVG.
PUBLIC SCHOOLS	201,774,950	175,909,000	114.70%	99.00%
M. COLLEGE	44,875,398	27,353,000	164.06%	99.18%
M-NCPPC PARKS	7,983,953	1,570,101	508.50%	165.12%
TRANSPORTATION	86,298,247	85,559,491	100.86%	101.49%
MCG-OTHER	115,368,429	166,825,408	69.16%	59.47%
TOTAL	**456,300,977**	**457,217,000**	**99.80%**	**86.46%**

Office of Management and Budget

Comparison of FY13-18 Amended Budget vs. December 2013 Estimates ('$000)

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	FY13	FY14	Total 6 Yr	FY15	FY16	FY17	FY18	FY19	FY20
Recordation Tax									
FY13-18 Amended	25,003	26,689	114,515	26,203	27,505	29,286	31,521	-	-
December 2013 Actuals/Estimate	27,641	27,997	205,454	30,775	32,693	33,700	35,032	36,218	37,036
Recordation Tax Premium									
FY13-18 Amended	8,087	10,756	37,591	8,601	9,029	9,614	10,347	-	-
December 2013 Actuals/Estimate	9,301	7,846	57,620	8,631	9,169	9,451	9,825	10,157	10,387
			-						
Transportation Impact Tax									
FY13-18 Amended	3,468	3,943	16,888	3,977	4,712	4,006	4,193	-	-
December 2013 Actuals/Estimate	5,607	4,468	28,041	4,468	4,672	4,672	4,727	4,727	4,775
Schools Impact Tax									
FY13-18 Amended	14,454	27,046	72,000	18,000	18,000	18,000	18,000	-	-
December 2013 Actuals/Estimate	27,902	25,206	144,599	24,593	25,076	24,434	24,071	23,422	23,003

TAX SUPPORTED CURRENT REVENUES ADJUSTMENT CHART

FY15-20 Capital Improvements Program
COUNTY EXECUTIVE RECOMMENDED
January 15, 2014

($ MILLIONS)	6 YEARS	FY15 APPROP (1)	FY16 EXP	FY17 EXP	FY18 EXP	FY19 EXP	FY20 EXP
TAX SUPPORTED CURRENT REVENUES AVAILABLE	398.792	52.834	63.983	62.666	68.137	77.275	73.898
Adjust for Future Inflation *	(22.470)	-	-	(1.766)	(4.036)	(7.171)	(9.498)
SUBTOTAL CURRENT REVENUE FUNDS AVAILABLE FOR ELIGIBLE PROJECTS (after adjustments)	376.322	52.834	63.983	60.900	64.101	70.104	64.400
Less Set Aside: Future Projects	-	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	376.322	52.834	63.983	60.900	64.101	70.104	64.400
GENERAL FUND							
MCPS	(114.942)	(2.521)	(26.091)	(25.498)	(21.038)	(19.979)	(19.815)
MONTGOMERY COLLEGE	(74.902)	(11.435)	(10.905)	(13.127)	(13.145)	(13.145)	(13.145)
M-NCPPC	(16.488)	(2.748)	(2.748)	(2.748)	(2.748)	(2.748)	(2.748)
HOC	(7.500)	(1.250)	(1.250)	(1.250)	(1.250)	(1.250)	(1.250)
TRANSPORTATION	(45.097)	(5.911)	(6.974)	(7.873)	(7.992)	(7.910)	(8.437)
MC GOVERNMENT	(29.317)	(11.667)	(4.150)	(3.350)	(3.050)	(3.550)	(3.550)
SUBTOTAL - GENERAL FUND	(288.246)	(35.532)	(52.118)	(53.846)	(49.223)	(48.582)	(48.945)
MASS TRANSIT FUND	(80.676)	(14.552)	(11.015)	(6.704)	(14.528)	(18.772)	(15.105)
FIRE CONSOLIDATED	(5.300)	(2.400)	(0.500)	-	-	(2.400)	-
PARK FUND	(2.100)	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)
SUBTOTAL - OTHER TAX SUPPORTED	(88.076)	(17.302)	(11.865)	(7.054)	(14.878)	(21.522)	(15.455)
TOTAL PROGRAMMED EXPENDITURES	(376.322)	(52.834)	(63.983)	(60.900)	(64.101)	(70.104)	(64.400)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
* Inflation:		2.20%	2.50%	2.90%	3.30%	3.70%	4.10%

Note:
(1) FY15 APPROP equals new appropriation authority approved at this time. Additional current revenue funded appropriations will require drawing on operating budget fund balances.

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M-NCPPC BOND ADJUSTMENT CHART

FY15-20 Capital Improvements Program
COUNTY EXECUTIVE RECOMMENDED
January 15, 2014

($ millions)	6 YEARS	FY15	FY16	FY17	FY18	FY19	FY20
BONDS PLANNED FOR ISSUE	36.000	6.000	6.000	6.000	6.000	6.000	6.000
Assumes Council SAG							
Adjust for Implementation *	11.383	2.000	2.000	1.944	1.882	1.815	1.743
Adjust for Future Inflation *	(1.852)	-	-	(0.169)	(0.355)	(0.557)	(0.771)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	45.531	8.000	8.000	7.775	7.526	7.258	6.972
Less Set Aside: Future Projects	3.283	0.495	0.878	0.754	0.478	0.218	0.460
	7.2%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMI	42.248	7.505	7.122	7.021	7.048	7.040	6.512
Programmed P&P Bond Expenditures	(42.248)	(7.505)	(7.122)	(7.021)	(7.048)	(7.040)	(6.512)
SUBTOTAL PROGRAMMED EXPENDITURES	(42.248)	(7.505)	(7.122)	(7.021)	(7.048)	(7.040)	(6.512)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-

NOTES:

		FY15	FY16	FY17	FY18	FY19	FY20
* Adjustments Include:							
Inflation =		2.20%	2.50%	2.90%	3.30%	3.70%	4.10%
Implementation Rate =		75.00%	75.00%	75.00%	75.00%	75.00%	75.00%

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