

**MEMORANDUM**

April 21, 2021

**TO:** Government Operations and Fiscal Policy (GO) Committee  
**FROM:** Gene Smith, Legislative Analyst  
**SUBJECT:** **FY22 Operating Budget – Debt Service**  
**PURPOSE:** Make recommendations for Council consideration

**Expected Participants:**

- Mike Coveyou, Department of Finance (Finance)
- Jacqueline Carter, Finance
- Nancy Feldman, Finance
- Anita Aryeetey, Office of Management and Budget (OMB)

**Summary of FY22 Recommended Budget**

<b>Debt Service</b>	<b>FY21 Approved</b>	<b>FY22 CE Recommended</b>	<b>Change from FY21 Approved</b>
<b>General Fund</b>	<b>\$415,203,210</b>	<b>\$420,725,740</b>	<b>1.3%</b>
Personnel Costs	\$0 0.00 FTEs	\$0 0.00 FTEs	0.0% 0.00 FTEs
Operating Costs	\$415,203,210	\$420,725,740	1.3%
<b>Total Expenditures (All Funds)</b>	<b>\$415,203,210</b> <b>0.00 FTEs</b>	<b>\$420,725,740</b> <b>0.00 FTEs</b>	<b>1.3%</b> <b>0.0%</b>

**I. Racial Equity and Social Justice Considerations**

The Council adopted Bill 27-19 on December 2, 2019. This bill established and required several elements, including that the Executive submit a racial equity and social justice (RESJ) impact statement for each bill and each management initiative or program that would be funded in the operating and capital budgets.

For the FY22 operating budget development process, OMB, working with the Office of RESJ, developed and dedicated a section of the program proposal form to addressing racial equity. Departments and County partners were asked the following questions:

- Does your department use quantitative and qualitative data to track program access and/or service outcomes for different population groups?
- Which community residents will potentially benefit the most from your program proposal or be burdened by your program proposal?
- How does the program promote racial equity?

The County is still in the process of training staff on applying a racial equity and social justice lens to programming and budget decisions; therefore, OMB received a variety of responses to the above questions. Council staff are documenting these responses to establish an official baseline for each department and to identify promising practices and gaps in information.

Executive staff notes that the Debt Service budget is mostly built on the previous fiscal decisions by the Council given the maturity date for much of the debt included in this budget. The Council's consideration of specific projects in the Capital Improvements Program (CIP) will more directly impact the RESJ considerations of this budget. The Executive and OMB created Equity Emphasis areas when considering amendments to the CIP this year.

Council staff will evaluate what information departments are utilizing, or could utilize, to apply a racial equity lens to budget decisions as Council staff works to develop its Racial Equity and Social Justice Action Plan this spring. Council staff will also coordinate with OMB and the Office of RESJ to help inform a more robust analysis for FY23 and future budget cycles.

## II. Budget Overview

See the Executive's recommended budget for Debt Service on ©1-15. **The FY22 tax supported debt service expenditures are 8.2% of the total FY22 recommended tax supported budget.** There are several important factors to consider about the Debt Service budget.

- 1) The recommended appropriation for the next fiscal year reflects the past spending decisions of the County.
- 2) The fiscal plan estimates the impact of future spending decisions based on the current Spending Affordability Guidelines (SAG) set by the Council. The current SAG established were reconfirmed by the Council in [Resolution 19-791](#).<sup>1</sup>
- 3) The County's debt service costs are based on its credit rating. The County has the highest credit ratings possible for a local government, AAA from Moody's Investors Service, Inc., from Standard and Poor's, and from Fitch Ratings, Inc. **By maintaining high credit ratings, the County enjoys lower costs to service debt.**

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<sup>1</sup>[https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=9931\\_1\\_14202\\_Resolution\\_19-719\\_Adopted\\_20210202.pdf](https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=9931_1_14202_Resolution_19-719_Adopted_20210202.pdf).

**Most of the FY22 recommended appropriation funds existing debt service from past spending decisions.** Most of the County’s expenditures support its general obligation (G.O.) debt issued for the CIP. Table 1 below compares FY21 approved expenditures to FY22 recommended expenditures by category for this budget.

**Table 1: FY21 and FY22 Debt Service Expenditures by Category**

Category	FY21 Expenditures	FY22 Expenditures	FY21-22 Change	FY21-22 % Change
G.O. Bonds Debt Service	\$383,360,960	\$391,628,230	\$8,267,270	2.1%
Long-term Lease	\$4,725,960	\$2,741,000	(\$1,984,960)	(72.4%)
Short-term Lease	\$20,700,100	\$7,690,000	(\$13,010,100)	(169.2%)
Other long-term debt†	\$28,175,790	\$46,677,910	\$18,504,520	39.6%
<b>Total</b>	<b>\$436,910,760</b>	<b>\$448,687,490</b>	<b>\$11,776,730</b>	<b>2.6%</b>

Source: OMB, Recommended FY20 Operating Budget Book

† Excludes \$52,050 in FY21 and \$49,650 in FY22 for expenditures appropriated in a different fund.

### A. Expenditure Overview

The Executive’s FY22 recommendation increases the Debt Service budget by \$11,776,730 or 2.6% from FY21. The County’s general fund supports 77.8% of the FY22 expenditures, with the remaining expenditures supported from other revenues or other tax supported funds (e.g., the Fire Tax District Fund). The FY22 expenditures include the annual debt service of all outstanding G.O. bonds, long- and short-term lease payments, and other long-term debt obligations.

**Expenditures related to the debt service for the County’s G.O. bonds, both principal and interest payments, accounts for 87.3% of all FY22 recommended expenditures.** This percentage has decreased slightly as the expenditures in the County’s other debt service categories has increased. See ©11 for a breakdown of FY22 principal and interest payments by fund. In addition to the existing debt service requirements, the FY22 recommended expenditures include the following assumptions:

- A FY22 G.O. bond issue of \$310,000,000 at an interest cost of 5.0% for 20 years, with even payments and annual debt issuance through FY27;
- Interest expense based on an anticipated average bond anticipation note (BAN) commercial paper balance of \$375,000,000;<sup>2</sup> and
- Other short- and long-term financing obligations.

### B. Revenue Overview

The FY22 debt service budget estimates \$3,776,606 in revenues. Though the revenue generated in this budget is modest when compared to the total recommended appropriation, the

<sup>2</sup> This represents the average anticipated amount; the maximum balances for BANs commercial paper will be \$470 million in FY22.

estimated revenue does reduce the amount of resources required from the general fund. **Most of the revenues and annual variation is from the estimated G.O. bond premium.**<sup>3</sup> The ability to generate bond premium fluctuates with the interest rates – greater interest rates typically results in less premium.

### III. Budget Discussion

#### A. Total Debt Outstanding

The County’s total debt outstanding is estimated to be \$3,491,790,000 in FY22. **Each G.O. bond that is issued becomes a twenty-year expenditure for the operating budget.** See the table of the County’s current obligations for G.O. debt from Finance’s January 2021 Annual Information Statement on ©16. **Even if the County did not issue any debt for the foreseeable future, it would still be required to pay off its current obligations.** Total debt outstanding is projected to decrease to \$3,435,335,000 by FY26, a decrease of \$56,455,000 or 1.6% from the FY22 total debt outstanding (see the Debt Capacity Analysis on ©14).

The County’s overall picture of total outstanding debt has changed in recent years. The FY18 recommended budget estimated that total debt outstanding in FY22 would be \$3,902,580,000. Four years later, the total debt outstanding estimated for FY22 is now \$3,491,790,000, a reduction of 410,790,000 or 11.8%. **This change in trajectory is due to the Council’s decision to reduce the spending affordability guidelines for the capital budget.** Accordingly, the various debt capacity indicators all show modest improvement during the next six fiscal years (see ©14).

Table 2 below details the total debt outstanding by bond category as of June 30, 2018. The General County Government, Public Schools, and Roads & Storm Drains categories account for 81.6% of the total outstanding debt.

**Table 2: Total Debt Outstanding by Bond Category as of June 30, 2020**

<b>Bond Category</b>	<b>Total Debt Outstanding</b>	<b>% of Total</b>
General County	\$697,827,000	23.7%
Fire	\$61,437,000	2.1%
Mass Transit	\$167,039,000	5.7%
Montgomery College	\$227,333,000	7.7%
Parks	\$70,848,000	2.4%
Public Schools	\$1,110,301,000	37.8%
Roads & Storm Drains	\$605,025,000	20.6%

Source: OMB, Recommended FY22 Operating Budget Book

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<sup>3</sup> A premium is generated when investors pay more than the face value of the bond because the stated interest rate exceeds the market interest rate. The IRS has strict requirements on use of premiums to fund interest payments over a three-year period.

## B. Future Debt Service

See ©10 for the projection of G.O. debt service from FY22-FY27. G.O. debt service expenditures are projected to increase by \$44,775,700 or 11.6% from the FY22 to FY27. This projection assumes that the County will issue G.O. bonds based on the Council-approved SAG. Table 3 below details how each category for the G.O. bond debt service expenditures will change from FY22 to FY27.

**Table 3: FY20 to FY25 G.O. Debt Service Expenditures by Category**

Category	FY22 Expenditures	FY27 Expenditures	FY22-27 Change
General County	\$72,736,570	\$79,362,350	\$6,625,780
Fire	\$7,513,040	\$10,450,660	\$2,937,620
Mass Transit	\$20,997,580	\$24,020,250	\$3,022,670
Montgomery College	\$27,721,800	\$31,510,020	\$3,788,220
Parks	\$9,611,110	\$12,815,730	\$3,204,620
Public Housing	\$52,060	\$22,890	(\$29,170)
Public Schools	\$153,878,840	\$154,026,510	\$147,670
Recreation	\$10,475,490	\$21,135,830	\$10,660,340
Roads & Storm Drains	\$81,511,740	\$95,929,690	\$14,417,950
<b>Total</b>	<b>\$384,498,230</b>	<b>\$429,273,930</b>	<b>\$44,775,700</b>

Source: OMB, Recommended FY20 Operating Budget Book

## C. Interest Costs

The County issued \$320,000,000 in G.O. bonds in FY21. See the G.O. bond issuance summary on ©17. The target value was \$359,862,400 with a true interest cost of 1.42%. Table 4 below details the true interest cost of recent bond issuances by the County. The FY22 Debt Service budget assumes a 5.0% interest rate for future G.O. bond issuances. Interest rates have decreased in recent years which impacts the County's budget in two ways: 1) the cost to borrow decreases for G.O. bonds and for BANs; and 2) revenue from premium is more likely.

**Table 4: True Interest Costs for Recent Fixed Rate Series**

Fiscal Year	True Interest Cost
FY13	2.26%
FY14	3.13%
FY15	2.74%
FY16	2.80%
FY17	3.28%
FY18	3.28%
FY19	3.28%
FY20	2.21%
FY21	1.42%

Source: Finance, Bond Summary Statistics 2012-2020.

## D. Other Expenditure Items

The Debt Service budget also funds short- and long-term leases and other long-term debt. These items account for about 13.2% of the total expenditures in the recommended FY22 debt service budget, but at \$57,059,260, the total dollars are equivalent to some department budgets.

### 1. *Long-term Lease Expenditures*

Long-term lease expenditures decrease modestly from FY21 to FY22. From FY22 through FY27, Finance estimates that long-term lease expenditures will increase by \$1,159,000. The estimated lease expenditures for fire and rescue equipment and the Cross Vines Project accounts for all the estimated increase during this period.

### 2. *Short-term Lease Expenditures*

Short-term lease expenditures decrease significantly from FY21 to FY22. The reason for this decrease was due to Finance’s decision to refinance some master leases as Certificates of Participation (COPs). This shifted some expenditures from the “Short-term Lease” category to the “Other Long-term Debt” category. This shift from master leases to COPs did result in modest savings for the County during the repayment period. Finance estimates that short-term lease expenditures will decrease by \$3,798,600 from FY22 through FY27. The decrease is the result of the County retiring debt from the Technology Modernization Project.

### 3. *Other Long-term Debt Expenditures*

The Executive recommended FY22 debt service budget details a significant increase of \$18,504,520 for other long-term debt expenditures from FY21 to FY22. Most of this increase is due to the previously described shift from master leases to COPs. Finance estimates that other long-term debt expenditures will decrease by 2,605,765 from FY22-FY27.

**Council staff recommends approval of the Executive’s recommended operating budget of \$420,725,740 for the Debt Service budget.**

This packet contains:

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Executive FY22 recommendation	1
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# Debt Service

## RECOMMENDED FY22 BUDGET

\$448,687,490

## FULL TIME EQUIVALENTS

0.00

## MISSION STATEMENT

This section provides budget data for the repayment of general obligation bond issues, and other long- and short-term financing for public facilities, equipment, and infrastructure in the Debt Service Fund for all tax supported County agencies (Montgomery County Government, Maryland-National Capital Park and Planning Commission, Montgomery County Public Schools, and Montgomery College), as well as other associated costs. Non-tax supported debt repayment related to the Montgomery Housing Initiative Property Acquisition Fund, Water Quality Protection bonds, and Wheaton Redevelopment are also included.

## BUDGET OVERVIEW

The total recommended FY22 Operating Budget for Debt Service is \$448,687,490 an increase of \$11,828,780 or 2.7 percent from the FY21 approved budget of \$436,910,760. This amount excludes \$49,650 in debt service which is appropriated in non-tax supported funds.

### General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 41.6 percent of the County's capital expenditures (excluding WSSC) for the six years of the Amended Recommended FY21-26 CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefiting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local regulations, interest rates are lower than in the private sector.

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

Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines

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apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. On October 1, 2019 the County Council approved SAG limits at \$320.0 million for FY21, \$310.0 million for FY22 and \$1,770.0 million for the FY21-26 period. On February 2, 2021, the County Council confirmed the guidelines set on October 1, 2019. The County Executive has recommended shifting \$15 million in General Obligation bonds from FY21 to FY23 to better match projected spending. No change in the six-year total for General Obligation bonds is recommended.

### **Debt Service Program**

The annual debt service obligation of all outstanding G.O. bond issues, long- and short-term lease payments, other long-term debt, and projections of certain related expenditures constitute the total Debt Service budget for FY22. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation.

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

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

### **FY21 Estimated Debt Service**

FY21

The FY21 estimated general obligation debt service, lease and other long-term debt expenditure requirements for tax-supported funds total \$413.4 million which is lower than the budget of \$415.2 million primarily due to deferrals in some lease financings offset by prepayment of a promissory note that was entered into with WSSC for the purchase of Site II. The prepayment was funded with proceeds from the site developer.

During FY21, the County entered into one- year lines of credit with two financial institutions for a total of \$250 million. These lines of credit have not been utilized but are available to ensure that the County has sufficient liquidity to meet its obligations.

During FY21 the County refinanced certain PNC equipment Master Leases with shorter-term maturities included in a Certificates of Participation (COPs) financing.



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## **FY22 Recommended Debt Service Budget**

The FY22 Debt Service budget is predicated on a base of existing debt service requirements from past bond issues plus the following:

An FY22 issue of \$310 million at an interest cost of 5.0 percent for 20 years with even principal payments and annual debt issuance to continue through FY27.

Interest expense based on an anticipated average BANs commercial paper balance of \$375 million during FY22.

- Other short- and long-term financing obligations displayed in a chart at the end of the section.

The Debt Service assumptions discussed above result in a total FY22 Debt Service requirement for tax supported funds of \$420.7 million, which is a 1.3 percent increase from the FY21 budget of \$415.2 million. The General Fund appropriation requirement is \$362.3 million, or 1.3 percent more than the budgeted FY21 amount of \$357.6 million. A schedule detailing debt service principal and interest by major fund is included at the end of the chapter.

### **Public Services Program**

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation. An estimated interest cost of 5.0 percent is budgeted for the fall 2021 (FY22) issue. Projected interest rates for bond issues for FY22 through FY27 are based on market expectations for coupon rates, which drive actual debt service costs. Under these projections and assumptions, tax-supported debt service will increase from \$420.7 million in FY22 to \$456.4 million by FY27 with the General Fund revenue requirement growing from \$362.3 million in FY22 to \$387.9 million by FY27.

### **Capital Improvements Program Impact On Operating Budget**

#### **Debt Service Requirements**

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

The County Council adopts Spending Affordability Guidelines for the Capital Budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other short- and long-term commitments, are expected to stay manageable. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased debt service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues for the six years which are the basis of the G.O. bond-funded portion of the Amended Recommended FY21-26 CIP. Annual bond-funding requirements (on which future debt issue projections are based) are

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based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Amended Recommended FY21-26 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's January 15, 2021 proposals for the Amended Recommended FY21-26 CIP is included at the end of this section.

### **Debt Limit**

The County's outstanding general obligation debt totals \$2,939,810,000 as of June 30, 2020. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2020, is \$12,281,747,409 based upon the assessed valuation \$197,440,400,000 for all real property and \$4,235,489,393 for personal property. The County's outstanding general obligation debt of \$2,939,810,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.49 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2020 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet at the following link: <http://www.montgomerycountymd.gov/Finance/financial.html>

### **Leases and Other Debt**

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

Loan payments to HUD are related to a HUD Section 108 program loan that was received by the County. The County re-loaned the funds to the Housing Opportunities Commission (HOC). Repayment of the loan will be made by HOC to the County through the Montgomery Housing Initiative (MHI) Fund. Transfers from the MHI Fund support the repayment shown in the Debt Service Fund.

The FY22 appropriations for the long- and short-term financing are displayed in a chart at the end of this section.

### **Other Long-Term Debt**

Other long-term debt (MHI - Property Acquisition Fund) includes the debt service costs, offset by a transfer from the MHI Fund, for

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the issuance of debt to create a property acquisition revolving fund which will significantly increase the County's capacity to acquire and renovate affordable housing. Long-term debt payments to acquire the Silver Spring Music Venue are also included.

Commencing in FY12, Water Quality Protection bonds financed stormwater management requirements resulting from the new National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS-4) permit requirements. During FY20 the County entered into two drawdown loans with the Maryland Water Quality Financing Administration (MWQFA). The loans approximated \$50.7 million and are secured by Water Quality Protection Charge (WQPC) revenues. From FY22, debt service estimates for two anticipated MWQFA loans totaling \$11.3 million to finance M-NCPPC stormwater projects and secured by WQPC revenues are included. To pay for the debt service, a transfer of funds from the Water Quality Protection Fund to the Debt Service Fund is required.

The County has entered into lease-purchase agreements to finance energy systems modernization at various County buildings for which the debt service is covered by energy savings. Three of the leases qualified for Qualified Energy Conservation Bonds which provided a Federal Tax Subsidy. Debt service costs include financing for the County's Rockville Innovation Center and National Cybersecurity Center of Excellence incubator projects. Debt service estimates for financing the Wheaton Redevelopment Program are partially funded by transfers from Permitting Services and Water Quality Protection funds.

The budget includes debt service estimates for up to \$50 million in Taxable Limited Obligation Certificates financing to be issued by the Housing Opportunities Commission for County housing projects. Debt service is to be paid from the Montgomery County Housing Initiatives Fund.

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

### **Rating Agency Reviews**

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

### **Special Taxing Districts**

Three development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act, enacted in 1994. The West Germantown District was created by Council Resolution 13-1135, the Kingsview Village Center Development District was created by Resolution 13-1377, and the Clarksburg Town Center District was created by Resolution 15-87. The creation of the development districts allows the County to provide financing, refinancing, or

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reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or purchase of infrastructure improvements.

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

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

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

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

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

## PROGRAM CONTACTS

Contact Jacqueline Carter of the Department of Finance at 240.777.8979 or Anita Aryeetey of the Office of Management and Budget at 240.777.2784 for more information regarding this department's operating budget.

## BUDGET SUMMARY

	Actual FY20	Budget FY21	Estimate FY21	Recommended FY22	%Chg Bud/Rec
<b>DEBT SERVICE</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Debt Service G.O Bonds	389,586,360	383,360,960	380,891,563	391,628,230	2.2 %
Debt Service Other	23,152,228	31,842,250	32,463,800	29,097,510	-8.6 %
<b>Debt Service Expenditures</b>	<b>412,738,588</b>	<b>415,203,210</b>	<b>413,355,363</b>	<b>420,725,740</b>	<b>1.3 %</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
<b>REVENUES</b>					
Federal Grants	3,894,791	252,930	1,373,400	252,930	—
Investment Income	1,465,500	0	0	0	—
Miscellaneous Revenues	3,695,350	450,000	7,930,938	0	-100.0 %
Premium on General Obligation Bonds	14,745,679	88,130	1,832,030	3,523,676	3898.3 %
<b>Debt Service Revenues</b>	<b>23,801,320</b>	<b>791,060</b>	<b>11,136,368</b>	<b>3,776,606</b>	<b>377.4 %</b>
<b>DEBT SERVICE - NON-TAX SUPPORTED</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Debt Service Other	15,772,674	21,707,550	18,878,950	27,961,750	28.8 %
<b>Debt Service - Non-Tax Supported Expenditures</b>	<b>15,772,674</b>	<b>21,707,550</b>	<b>18,878,950</b>	<b>27,961,750</b>	<b>28.8 %</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
<b>REVENUES</b>					
Miscellaneous Revenues	0	257,157	52,641	211,999	-17.6 %
<b>Debt Service - Non-Tax Supported Revenues</b>	<b>0</b>	<b>257,157</b>	<b>52,641</b>	<b>211,999</b>	<b>-17.6 %</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>428,511,262</b>	<b>436,910,760</b>	<b>432,234,313</b>	<b>448,687,490</b>	<b>2.7 %</b>
<b>Total Full-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total Part-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total FTEs</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>—</b>

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## BUDGET SUMMARY

	Actual FY20	Budget FY21	Estimate FY21	Recommended FY22	%Chg Bud/Rec
<b>Total Revenues</b>	<b>23,801,320</b>	<b>1,048,217</b>	<b>11,189,009</b>	<b>3,988,605</b>	<b>280.5 %</b>

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

	Actual FY19	Actual FY20	Budget FY21	Estimated FY21	Recommended FY22	% Chg App/App	App % GO Bonds
<b>GO BOND DEBT SERVICE EXPENDITURES</b>							
General County	68,386,151	71,597,357	71,740,290	72,123,882	72,736,570		18.9%
Roads & Storm Drains	77,455,210	78,635,686	76,960,090	77,432,472	81,511,740		21.2%
Public Housing	58,334	60,110	54,840	49,823	52,060		0.0%
Parks	9,327,807	9,634,126	9,248,120	9,276,775	9,611,110		2.5%
Public Schools	154,327,680	153,776,579	149,682,120	151,598,620	153,878,840		40.0%
Montgomery College	26,321,750	27,880,119	27,510,250	27,522,871	27,721,800		7.2%
Bond Anticipation Notes/Commercial Paper	5,249,633	4,593,302	5,100,000	1,100,000	1,300,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,418,001	2,427,921	2,450,000	3,250,000	3,400,000		
Cost of Issuance	776,309	768,559	1,025,000	990,000	1,030,000		
Line(s) of Credit				700,000	1,400,000		
<b>Total General Fund</b>	<b>344,320,875</b>	<b>349,373,759</b>	<b>343,770,710</b>	<b>344,044,443</b>	<b>352,642,120</b>	<b>2.6%</b>	<b>89.9%</b>
Fire Tax District Fund	7,819,545	7,866,588	8,355,790	7,640,727	7,513,040		2.0%
Mass Transit Fund	21,468,983	21,710,478	20,686,890	19,359,687	20,997,580		5.5%
Recreation Fund	9,856,079	10,759,993	10,547,570	9,846,706	10,475,490		2.7%
<b>Total Tax Supported Other Funds</b>	<b>39,144,607</b>	<b>40,337,058</b>	<b>39,590,250</b>	<b>36,847,119</b>	<b>38,986,110</b>	<b>-1.5%</b>	<b>10.1%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>383,465,482</b>	<b>389,710,817</b>	<b>383,360,960</b>	<b>380,891,563</b>	<b>391,628,230</b>	<b>2.2%</b>	<b>100.0%</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>383,465,482</b>	<b>389,710,817</b>	<b>383,360,960</b>	<b>380,891,563</b>	<b>391,628,230</b>	<b>2.2%</b>	<b>100.0%</b>
<b>LONG-TERM LEASE EXPENDITURES</b>							
Revenue Authority - Conference Center	989,434	991,834	987,710	987,710	991,000		
Revenue Authority - Recreation Pools	1,525,990	-	-	-	-		
Revenue Authority - Crossvines Project - Tax Supported	-	-	250,000	-	250,000		
Fire and Rescue Equipment	2,090,843	2,090,843	3,118,250	1,409,200	1,500,000		
Fleet Equipment	-	-	370,000	-	-		
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>4,605,866</b>	<b>3,082,677</b>	<b>4,725,960</b>	<b>2,396,910</b>	<b>2,741,000</b>	<b>-42.0%</b>	
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>							
Technology Modernization Project	4,661,384	3,646,948	3,647,100	3,647,000	3,647,100		
Libraries System Modernization	96,955	96,955	97,000	97,000	48,500		
Corrections Security System	80,901	161,802	162,000	-	-		
Digital Evidence Data Storage	-	-	210,100	154,000	264,000		
Ride On Buses	6,640,713	6,885,469	11,773,900	5,246,000	1,738,200		
Public Safety System Modernization	3,564,498	3,564,498	2,823,500	1,323,000	387,200		
Fire Breathing Apparatus	-	-	1,472,700	736,400	-		
Fuel Management System	829,410	829,410	513,800	415,000	-		
Transit System Radios	-	-	-	-	365,000		
Police Body Armor	-	-	-	-	110,000		
Intelligent Transit System	-	-	-	-	980,000		
Fire Defibrillators	-	-	-	-	150,000		
Fire and Rescue Equipment	-	-	-	-	-		
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>15,873,861</b>	<b>15,185,082</b>	<b>20,700,100</b>	<b>11,618,400</b>	<b>7,690,000</b>	<b>-62.9%</b>	
<b>OTHER LONG-TERM DEBT</b>							
Silver Spring Music Venue - Tax supported	291,005	290,643	294,100	294,100	292,000		
Incubators - Tax Supported	770,453	926,325	931,500	931,500	936,720		
Site II Acquisition - Tax supported	1,238,855	1,238,855	1,238,900	8,719,500	-		
Rockville Core - Tax Supported	-	-	1,669,000	374,200	1,508,500		
Energy Performance Leases QECBs - Tax supported	727,878	1,075,762	660,270	677,020	660,540		
Energy Performance Leases Other - Tax supported	803,764	1,352,884	1,622,420	1,605,670	1,674,150		
Wheaton Redevelopment - Non-Tax supported	-	-	2,613,500	584,900	2,355,550		
MHI-HUD Loan - Non-Tax supported	56,727	54,396	52,050	52,100	49,650		
Water Quality Protection Charge Bonds - Non-Tax supported	6,148,588	6,149,188	8,172,350	8,172,350	8,887,800		
MHI - Property Acquisition Fund - Non-Tax supported	8,688,335	9,623,486	10,921,700	9,621,700	13,318,400		
MHI - Property Acquisition Fund - HOC - Non-Tax supported	-	-	-	500,000	3,400,000		
COPs - Fire SCBA and Apparatus	-	-	-	1,394,000	4,386,575		
COPs - Fleet Equipment	-	-	-	58,000	329,250		
COPs - Buses	-	-	-	2,906,500	6,033,825		
COPs - Fuel Management	-	-	-	95,000	188,800		
COPs - PSSM	-	-	-	1,238,000	2,504,800		
COPs - Corrections	-	-	-	155,000	151,350		
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>18,725,604</b>	<b>20,711,539</b>	<b>28,175,790</b>	<b>37,379,540</b>	<b>46,677,910</b>	<b>65.7%</b>	
<b>DEBT SERVICE EXPENDITURES</b>							
Tax Supported	407,777,165	412,863,045	415,203,210	413,355,363	420,725,740	1.3%	
Non-Tax Supported - Other Long-term Debt	14,893,649	15,827,070	21,759,600	18,931,050	28,011,400		
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>422,670,814</b>	<b>428,690,115</b>	<b>436,962,810</b>	<b>432,286,413</b>	<b>448,737,140</b>	<b>2.7%</b>	
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>							
General Funds	312,125,488	327,754,879	343,682,580	341,098,313	349,118,444		
BABs Crossover Funds with Escrow Agent	5,179,100	2,589,550	-	-	-		
Other Interest: Installment Notes, Interest & Penalties	2,715,106	1,465,500	-	-	-		
Federal Subsidy on General Obligation Bonds	5,186,898	3,684,798	-	1,114,100	-		
Premium on General Obligation Bonds	20,400,280	14,745,679	88,130	1,832,030	3,523,676		
<b>Total General Fund Sources</b>	<b>345,606,872</b>	<b>350,240,406</b>	<b>343,770,710</b>	<b>344,044,443</b>	<b>352,642,120</b>		
Fire Tax District Funds	7,598,125	7,689,547	8,355,790	7,640,727	7,513,040		
Mass Transit Fund	20,527,390	21,231,181	20,686,890	19,359,687	20,997,580		
Recreation Fund	9,310,389	10,425,227	10,547,570	9,846,706	10,475,490		
<b>Total Other Funding Sources</b>	<b>37,435,904</b>	<b>39,345,955</b>	<b>39,590,250</b>	<b>36,847,119</b>	<b>38,986,110</b>		
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>383,042,775</b>	<b>389,586,361</b>	<b>383,360,960</b>	<b>380,891,562</b>	<b>391,628,230</b>		
<b>NON GO BOND FUNDING SOURCES</b>							
General Funds	13,139,780	12,060,682	13,890,670	12,013,462	13,172,930		
MHI Fund - HUD Loan	56,727	54,396	52,050	52,100	49,650		
Water Quality Protection Fund	6,148,588	6,273,645	8,172,350	8,172,350	8,887,800		
MHI - Property Acquisition Fund	8,688,335	9,623,486	10,921,700	10,121,700	16,718,400		
Non-tax funds - Wheaton Redevelopment	-	-	2,613,500	584,900	2,355,550		
Motor Pool Fund	-	-	370,000	58,000	518,050		
Mass Transit Fund	6,640,713	6,885,469	11,773,900	8,152,500	9,117,025		
Recreation Fund	1,525,990	-	-	-	-		
Fire Tax District Fund	2,920,253	2,890,283	5,104,750	4,049,600	6,036,575		
Federal Subsidy - QECBs	277,357	209,993	252,930	259,300	252,930		
Capitalized Interest - Energy Performance Leases	90,107	45,405	-	-	-		
ESCO Pepco and Utility Rebates	140,590	610,395	-	-	-		
Developer Payments - Site II	-	450,000	450,000	7,930,938	-		
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>39,628,039</b>	<b>39,103,754</b>	<b>53,601,850</b>	<b>51,394,850</b>	<b>57,108,910</b>		
<b>TOTAL FUNDING SOURCES</b>	<b>422,670,814</b>	<b>428,690,115</b>	<b>436,962,810</b>	<b>432,286,412</b>	<b>448,737,140</b>		
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>							
Actual and Estimated Bond Sales	340,000,000	340,000,000	320,000,000	320,000,000	310,000,000		
Council SAG Approved Bond Funded Expenditures	340,000,000	340,000,000	320,000,000	320,000,000	310,000,000		



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

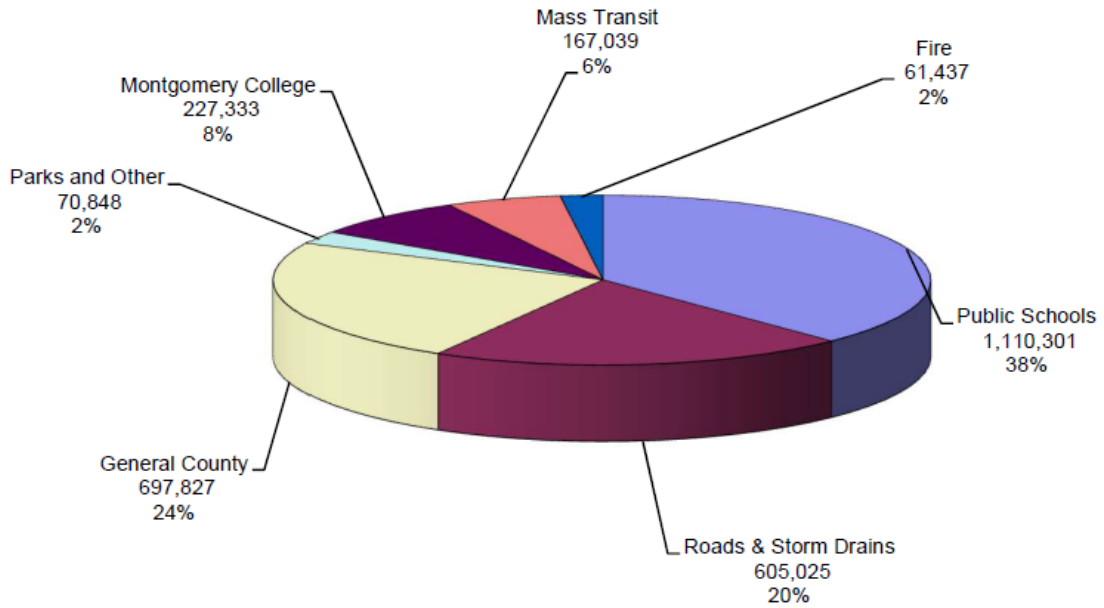
	Recommended	Projected	Projected	Projected	Projected	Projected
GO BOND DEBT SERVICE EXPENDITURES	FY22	FY23	FY24	FY25	FY26	FY27
General County	72,736,570	71,558,240	74,359,080	76,049,960	77,080,390	79,362,350
Roads & Storm Drains	81,511,740	84,925,240	85,787,110	87,752,580	91,996,160	95,929,690
Public Housing	52,060	50,060	46,650	18,080	33,540	22,890
Parks	9,611,110	10,207,060	10,917,640	11,248,800	11,821,190	12,815,730
Public Schools	153,878,840	155,357,150	155,597,200	161,128,560	159,347,530	154,026,510
Montgomery College	27,721,800	28,767,530	29,467,850	31,050,480	31,224,770	31,510,020
Bond Anticipation Notes/Commercial Paper	1,300,000	1,500,000	2,200,000	2,900,000	3,800,000	4,700,000
Bond Anticipation Notes/Liquidity & Remarketing	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000
Cost of Issuance	1,030,000	1,050,000	1,080,000	1,100,000	1,150,000	1,200,000
Line(s) of Credit	1,400,000					
<b>Total General Fund</b>	<b>352,642,120</b>	<b>356,815,280</b>	<b>362,855,530</b>	<b>374,648,460</b>	<b>379,853,580</b>	<b>382,967,190</b>
Fire Tax District Fund	7,513,040	8,237,060	8,723,220	9,974,390	10,775,500	10,450,660
Mass Transit Fund	20,997,580	12,591,360	24,538,150	24,421,720	24,340,370	24,020,250
Recreation Fund	10,475,490	10,839,090	13,367,030	14,976,040	18,057,280	21,135,830
<b>Total Tax Supported Other Funds</b>	<b>38,986,110</b>	<b>31,667,510</b>	<b>46,628,400</b>	<b>49,372,150</b>	<b>53,173,150</b>	<b>55,606,740</b>
<b>TOTAL TAX SUPPORTED</b>	<b>391,628,230</b>	<b>388,482,790</b>	<b>409,483,930</b>	<b>424,020,610</b>	<b>433,026,730</b>	<b>438,573,930</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>391,628,230</b>	<b>388,482,790</b>	<b>409,483,930</b>	<b>424,020,610</b>	<b>433,026,730</b>	<b>438,573,930</b>
<b>LONG-TERM LEASE EXPENDITURES</b>						
Revenue Authority - Conference Center	991,000	991,600				
Fire and Rescue Equipment	1,500,000	1,900,000	2,200,000	2,700,000	3,100,000	3,100,000
Revenue Authority - Crossvines Project	250,000	798,000	797,250	800,750	798,250	800,000
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>2,741,000</b>	<b>3,689,600</b>	<b>2,997,250</b>	<b>3,500,750</b>	<b>3,898,250</b>	<b>3,900,000</b>
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>						
Technology Modernization Project	3,647,100	3,647,100	1,823,500			
Libraries System Modernization	48,500					
Digital Evidence Data Storage	264,000	264,000	264,000	264,000	110,000	
Ride On Buses	1,738,200	712,400	712,400	712,400	712,400	712,400
Intelligent Transit System	980,000	1,960,000	1,960,000	1,960,000	1,960,000	1,960,000
Public Safety System Modernization	387,200	1,114,000	1,114,000	1,114,000	1,114,000	744,000
Transit System Radios	365,000	730,000	730,000	730,000	730,000	365,000
Fire Defibrillators	150,000	150,000	150,000	150,000	150,000	
Police Body Armor	110,000	220,000	220,000	220,000	220,000	110,000
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>7,690,000</b>	<b>8,797,500</b>	<b>6,973,900</b>	<b>5,150,400</b>	<b>4,996,400</b>	<b>3,891,400</b>
<b>OTHER LONG-TERM DEBT</b>						
Silver Spring Music Venue - Tax supported	292,000	294,100	291,000	292,000	292,500	230,000
Incubators - Tax Supported	936,720	4,244,500				
Rockville Core - Tax Supported	1,508,500	1,506,850	1,508,400	1,507,900	1,505,400	1,505,750
Energy Performance Leases QECBs - Tax supported	660,540	660,820	701,140	695,550	695,030	694,220
Energy Performance Leases Other - Tax supported	1,674,150	1,716,210	1,747,470	1,782,290	1,818,100	1,832,950
Wheaton Redevelopment - Non-Tax supported	2,355,550	2,358,300	2,358,100	2,354,800	2,358,300	2,358,300
MHI-HUD Loan - Non-Tax supported	49,650	47,230	54,510			
Water Quality Protection Charge Bonds - Non-Tax supported	8,887,800	9,690,600	9,760,150	9,766,850	9,764,550	9,760,400
MHI - Property Acquisition Fund - Non-Tax supported	13,318,400	14,518,500	15,772,900	17,116,800	18,424,200	18,420,900
MHI - Property Acquisition Fund - HOC - Non-Tax supported	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000
COPs - Fire SCBA and Apparatus	4,386,575	4,383,850	4,389,750	4,388,650	2,401,500	2,399,600
COPs - Fleet Equipment	329,250	329,100	328,450	327,300	325,650	328,375
COPs - Buses	6,033,825	6,022,925	5,317,500	4,640,300	3,343,825	3,092,000
COPs - Fuel Management	188,800	187,400	185,800	189,000		
COPs - PSSM	2,504,800	2,496,500				
COPs - Corrections	151,350	151,350	151,150	155,750	73,500	
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>46,677,910</b>	<b>52,008,235</b>	<b>45,966,320</b>	<b>46,617,190</b>	<b>44,402,555</b>	<b>44,022,495</b>
<b>DEBT SERVICE EXPENDITURES</b>						
Tax Supported	420,725,740	422,963,495	434,075,740	446,650,500	452,376,885	456,448,225
Non-Tax Supported - Other Long-term Debt	28,011,400	30,014,630	31,345,660	32,638,450	33,947,050	33,939,600
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>448,737,140</b>	<b>452,978,125</b>	<b>465,421,400</b>	<b>479,288,950</b>	<b>486,323,935</b>	<b>490,387,825</b>
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>						
General Funds	349,118,444	353,352,770	361,143,345	374,648,460	379,853,580	382,967,190
Premium on General Obligation Bonds	3,523,676	3,462,510	1,712,185			
<b>Total General Fund Sources</b>	<b>352,642,120</b>	<b>356,815,280</b>	<b>362,855,530</b>	<b>374,648,460</b>	<b>379,853,580</b>	<b>382,967,190</b>
Fire Tax District Fund	7,513,040	8,237,060	8,723,220	9,974,390	10,775,500	10,450,660
Mass Transit Fund	20,997,580	12,591,360	24,538,150	24,421,720	24,340,370	24,020,250
Recreation Fund	10,475,490	10,839,090	13,367,030	14,976,040	18,057,280	21,135,830
<b>Total Other Funding Sources</b>	<b>38,986,110</b>	<b>31,667,510</b>	<b>46,628,400</b>	<b>49,372,150</b>	<b>53,173,150</b>	<b>55,606,740</b>
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>391,628,230</b>	<b>388,482,790</b>	<b>409,483,930</b>	<b>424,020,610</b>	<b>433,026,730</b>	<b>438,573,930</b>
<b>NON GO BOND FUNDING SOURCES</b>						
General Funds	13,172,930	17,861,680	8,096,650	6,061,820	5,711,950	4,913,700
MHI Fund - HUD Loan	49,650	47,230	54,510	0	0	0
Water Quality Protection Fund	8,887,800	9,690,600	9,760,150	9,766,850	9,764,550	9,760,400
MHI - Property Acquisition Fund	16,718,400	17,918,500	19,172,900	20,516,800	21,824,200	21,820,900
Non-tax funds - Wheaton Redevelopment	2,355,550	2,358,300	2,358,100	2,354,800	2,358,300	2,358,300
Motor Pool Fund	518,050	516,500	514,250	516,300	325,650	328,375
Mass Transit Fund	9,117,025	9,425,325	8,719,900	8,042,700	6,746,225	6,129,400
Fire Tax District Fund	6,036,575	6,433,850	6,739,750	7,238,650	5,651,500	5,499,600
Federal Subsidy - QECBs	252,930	243,350	233,260	222,320	210,030	203,220
Revenue Authority - Crossvines Project			288,000	548,100	704,800	800,000
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>57,108,910</b>	<b>64,495,335</b>	<b>55,937,470</b>	<b>55,268,340</b>	<b>53,297,205</b>	<b>51,813,895</b>
<b>TOTAL FUNDING SOURCES</b>	<b>448,737,140</b>	<b>452,978,125</b>	<b>465,421,400</b>	<b>479,288,950</b>	<b>486,323,935</b>	<b>490,387,825</b>
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>						
Estimated Bond Sales	310,000,000	300,000,000	290,000,000	280,000,000	270,000,000	270,000,000
Council SAG Approved Bond Funded Expenditures	310,000,000	300,000,000	290,000,000	280,000,000	270,000,000	270,000,000
<b>ESTIMATED INTEREST RATE</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>



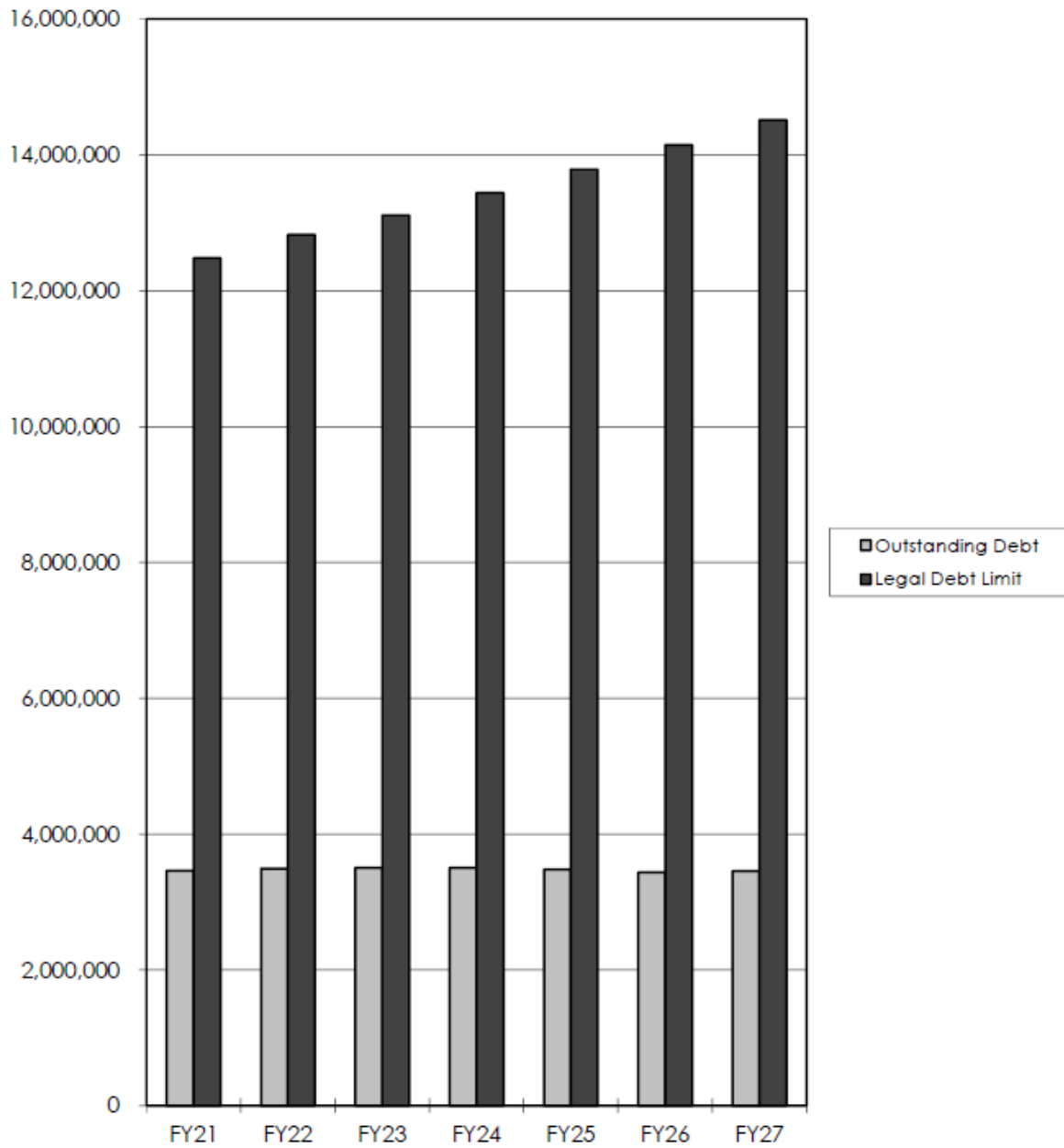
**Projected Debt Obligations  
Schedule of Principal & Interest  
FY22 Recommended Budget**

<b>FUND</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Debt Service Fund	303,389,740	145,297,750	448,687,490
Liquor Control (Section 65)	\$ 7,290,404	\$ 3,540,596	10,831,000
Montgomery Housing Initiative	43,000	6,650	49,650
Bethesda Parking Lot District (Section 46)	2,410,000	\$ 694,200	3,104,200
<b>Total</b>	<b>313,133,144</b>	<b>149,539,196</b>	<b>462,672,340</b>

**General Obligation Bonds Outstanding by Bond Category**  
((\$000s)  
Total \$2,939,810 as of June 30, 2020



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



<b>DEBT CAPACITY ANALYSIS</b>							
FY21-26 CAPITAL IMPROVEMENTS PROGRAM							
March 15, 2021							
GO BOND 6 YR TOTAL = 1,770.0 MILLION							
GO BOND FY21 TOTAL = 320.0.0 MILLION							
GO BOND FY22 TOTAL = 310.0 MILLION							
	FY20	FY21	FY22	FY23	FY24	FY25	FY26
1 GO Bond Guidelines (\$000)	320,000	320,000	310,000	300,000	290,000	280,000	270,000
2 GO Debt/Assessed Value	1.70%	1.72%	1.68%	1.65%	1.61%	1.56%	1.50%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	11.49%	11.13%	11.36%	11.19%	11.12%	11.15%	10.98%
4 \$ Debt/Capita	3,159	3,204	3,228	3,218	3,193	3,151	3,090
5 \$ Real Debt/Capita (FY20=100%)	3,159	3,204	3,176	3,105	3,008	2,897	2,774
6 Capita Debt/Capita Income	3.36%	3.28%	3.64%	3.47%	3.26%	3.06%	2.87%
7 Payout Ratio	70.19%	71.03%	71.81%	72.60%	73.41%	74.21%	74.72%
8 Total Debt Outstanding (\$000s)	3,439,810	3,460,365	3,491,790	3,504,285	3,499,720	3,476,570	3,435,335
9 Real Debt Outstanding (FY20=100%)	3,439,810	3,460,365	3,436,238	3,381,347	3,297,110	3,197,174	3,083,895
10 Note: OP/PSP Growth Assumption (2)		2.6%	1.3%	2.5%	3.1%	2.8%	3.1%

Notes:

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

(2) OP/PSP Growth Assumption equals change in revenues from FY21 approved budget to FY22 budget for FY22 and budget to budget for FY23-26.

**GENERAL OBLIGATION BOND ADJUSTMENT CHART**

FY21-26 Amended Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 15, 2021

(\$ millions)	6 YEARS	FY21	FY22	FY23	FY24	FY25	FY26
BONDS PLANNED FOR ISSUE	1,770.000	320.000	310.000	300.000	290.000	280.000	270.000
Plus PAYGO Funded	129.500	-	15.500	30.000	29.000	28.000	27.000
Adjust for Future Inflation **	(66.281)	-	-	(6.439)	(13.615)	(20.168)	(26.059)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,833.219	320.000	325.500	323.561	305.385	287.832	270.941
<b>Less Set Aside: Future Projects</b>	<b>147.002</b>	<b>11.154</b>	<b>22.367</b>	<b>15.733</b>	<b>22.631</b>	<b>35.055</b>	<b>40.062</b>
	8.02%						
<b>TOTAL FUNDS AVAILABLE FOR PROGRAMMING</b>	<b>1,686.217</b>	<b>308.846</b>	<b>303.133</b>	<b>307.828</b>	<b>282.754</b>	<b>252.777</b>	<b>230.879</b>
MCPS	(549.411)	(127.622)	(98.952)	(123.347)	(98.411)	(58.790)	(42.289)
MONTGOMERY COLLEGE	(121.142)	(21.198)	(25.236)	(15.339)	(23.434)	(19.963)	(15.972)
M-NCPPC PARKS	(67.845)	(8.500)	(14.408)	(11.597)	(10.787)	(11.033)	(11.520)
TRANSPORTATION	(526.370)	(89.869)	(125.985)	(97.531)	(61.962)	(70.275)	(80.748)
MCG - OTHER	(473.962)	(75.848)	(76.874)	(60.014)	(88.160)	(92.716)	(80.350)
Programming Adjustment - Unspent Prior Years*	52.513	14.191	38.322				-
<b>SUBTOTAL PROGRAMMED EXPENDITURES</b>	<b>(1,686.217)</b>	<b>(308.846)</b>	<b>(303.133)</b>	<b>(307.828)</b>	<b>(282.754)</b>	<b>(252.777)</b>	<b>(230.879)</b>
<b>AVAILABLE OR (GAP) TO BE SOLVED</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		1.59%	1.62%	1.99%	2.42%	2.44%	2.44%

## **STATISTICAL HIGHLIGHTS**

### **Debt as of June 30, 2020 (including 2020 GO Bonds)**

General Obligation Bonds and BANs Outstanding (Net Direct Debt)	\$3.6 billion
Total Assessed Value	\$197.6 billion
Ratio of Net Direct Debt to Assessed Value	1.83%
Direct Debt (incl. Revenue Bonds)	\$3.8 billion
Direct Debt to Assessed Value	1.92%
Net Direct & Overlapping Debt	\$3.7 billion
Ratio of Net Direct & Overlapping Debt to Assessed Value	1.89%

### **Budgets**

Approved FY21 Operating Budget	\$5.8 billion
FY21-26 Approved Capital Improvements Program	\$4.4 billion

### **FY20 Major Revenues and June 30, 2020 Fund Balances**

Total General Fund Revenues	\$3.6 billion
Income Tax	\$1.7 billion
Property Tax (General Fund)	\$1.3 billion
Transfer and Recordation Tax (General Fund portion)	\$173.4 million
Other Taxes	\$259.7 million
Revenue Stabilization Fund Balance (RSF)	\$376.3 million
General Fund Balance (includes RSF)	\$582.0 million

### **Demographics**

Population 2019	1,050,688
Households 2019	368,897
Median Age 2019	39.7 years old
Montgomery County Public School K-12 FY20 Enrollment	160,587

### **Employment**

Private Sector 2019	381,916
Public Sector 2019	90,563
Unemployment Rate 2019	2.9%
Personal Income 2019	\$94.7 billion
Per Capita Income 2019	\$90,139
Average Household Income 2019	\$256,730

### **General Obligation Bond Ratings 2020**

Moody's Investors Service, Inc.	Aaa
S&P Global Ratings	AAA
Fitch Ratings	AAA

**BOND SUMMARY STATISTICS****Montgomery County, Maryland  
New Money  
Preliminary Final Numbers**

Dated Date	08/05/2020
Delivery Date	08/05/2020
Last Maturity	08/01/2040
Arbitrage Yield	1.156021%
True Interest Cost (TIC)	1.421688%
Net Interest Cost (NIC)	1.514494%
All-In TIC	1.421688%
Average Coupon	2.689380%
Average Life (years)	10.489
Duration of Issue (years)	9.103
Par Amount	320,000,000.00
Bond Proceeds	359,862,400.00
Total Interest	90,267,555.56
Net Interest	50,833,155.56
Total Debt Service	410,267,555.56
Maximum Annual Debt Service	25,800,000.00
Average Annual Debt Service	20,524,780.43
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	1.337500
Total Underwriter's Discount	1.337500
Bid Price	112.323250

<i>Bond Component</i>	<i>Par Value</i>	<i>Price</i>	<i>Average Coupon</i>	<i>Average Life</i>
Tax-Exempt Serial Bonds, Series 2020A	320,000,000.00	112.457	2.689%	10.489
	320,000,000.00			10.489

	<u>TIC</u>	<u>All-In TIC</u>	<u>Arbitrage Yield</u>
Par Value	320,000,000.00	320,000,000.00	320,000,000.00
+ Accrued Interest			
+ Premium (Discount)	39,862,400.00	39,862,400.00	39,862,400.00
- Underwriter's Discount	-428,000.00	-428,000.00	
- Cost of Issuance Expense			
- Other Amounts			
Target Value	359,434,400.00	359,434,400.00	359,862,400.00
Target Date	08/05/2020	08/05/2020	08/05/2020
Yield	1.421688%	1.421688%	1.156021%

**M E M O R A N D U M**

April 22, 2021

TO: Government Operations and Fiscal Policy (GO) Committee

FROM: Gene Smith, Legislative Analyst

SUBJECT: **FY22 Operating Budget – Debt Service**

PURPOSE: Make recommendations for Council consideration

The Executive transmitted recommended budget amendments after the main report was published (see ©1-6). These amendments address several expenditures and resources assumptions for FY22, including in the Debt Service budget. Below are the two recommended amendments for the Debt Service budget.

- **Switch \$212,000 between non-tax supported expenditures to tax supported expenditures.** It was assumed that the new Wheaton office building would lease retail space to help offset some of its debt service. That did not happen, so this switch is needed to fill the gap with general fund resources. This does not impact the total appropriation for the budget, but it does reduce general fund resources by \$212,000 compared to the original recommended budget. **Council staff recommends approval.**
- **Fund \$1.4 million in expenditures with American Rescue Plan Act (ARPA) funding to support the County’s continuation of the lines of credit in FY22.** The recommended FY22 budget funded this expenditure with general fund resources. This recommendation changes the funding source to ARPA funding, but it does not change the total appropriation for the Debt Service budget. **The purpose of this amendment is free up additional general fund resources to fund other amendments proposed by the Executive.**

The additional tax supported amendments recommended by the Executive on ©6 are greater than \$1.4 million, excluding the \$5.0 million for the Working Families Income Supplement. **The effect of all amendments reduces general fund resources by \$483,888 in FY22 compared to the March 15 recommended budget.**

ARPA funding is a one-time Federal grant that generally supports the County’s ongoing response to the pandemic, including negative economic impact or revenue loss. The County will receive half the funding in FY21 and half the funding the same time next year – near the end of FY22.



See ©7 for the original list of the Executive’s recommended uses of ARPA in FY21 and FY22 – this excludes the two new additions in the proposed amendments on ©6. Most of the funding supports revenue losses or direct responses to the pandemic. The County issued lines of credit in response to the pandemic as a backstop in the event revenues were volatile.

The Executive’s recommendation to use ARPA for the lines of credit is related to the pandemic. The line of credit expenditure is anticipated to end in FY22, so it is not an ongoing expenditure. **Council staff supports this use of ARPA for this expenditure but notes that this reduces the Council’s “unallocated portion” noted in the Executive’s recommended budget by \$1.4 million.**

This packet contains:

	<u>Circle #</u>
Executive memorandum and budget amendments	1
Executive recommended FY21 and FY22 ARPA uses (original)	7




OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Marc Elrich  
*County Executive*

MEMORANDUM

April 21, 2021

TO: Tom Hucker, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Amendments to the Recommended FY22 Operating Budget

Since I submitted my FY22 Recommended Operating Budget on March 15, there have been a number of developments that necessitate sending over amendments to the recommended budget. These amendments center around the Department of Health and Human Services, the Fire and Rescue Service, the Working Families Income Supplement Program, and Recycling and Resource Management. The amendments are described in detail below (including source of funds), and the attached report contains the necessary information for your analysts to account for them.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Developmental Disabilities Service Providers Supplement (\$323,368)**

My FY22 Recommended Budget inadvertently left out the amount provided by Council in FY21 that added additional service providers to the Developmental Disabilities Supplement Program. This amendment corrects that error by adding funding consistent with Council intent in Resolution 19-534 for the providers that are still active in the supplement. Funding to provide for the inflationary adjustment for these additional organizations was already included in the FY22 Recommended Budget. The cost of this amendment is \$323,368 and will be funded with General Fund: Undesignated Reserves.

**Seneca Valley High School Wellness Center (\$1,142,397 and 4.88 FTE)**

When developing the FY22 Recommended Budget in late February and early March of this year, it was not entirely clear the direction the COVID-19 pandemic was taking and how it would impact our school system moving forward. As a result, my FY22 Recommended Budget did not include funds to operate the Seneca Valley High School Wellness Center, consistent with Council action on the FY21 Approved Budget. As vaccination rates have steadily increased and in-person education is resuming for high school students, I am now recommending that the Seneca Valley High School Wellness Center begin operations in FY22. The cost of this amendment is \$1,142,397 in FY22 plus 4.88 FTE and will be funded with General Fund: Undesignated Reserves.

Tom Hucker, President, County Council  
April 21, 2021  
Page 2

This wellness center will provide comprehensive somatic services, youth development, and family strengthening supports to children, youth, and families. The Department of Health and Human Services (DHHS) expects that more than 300 at-risk youth will be served at this wellness center. In addition, DHHS estimates that at least 200 Care for Kids (CFK) students, age 3-18, will be assigned to the Seneca Valley High School Wellness Center as their medical home.

## **MONTGOMERY COUNTY FIRE AND RESCUE SERVICES**

### **Montgomery County Volunteer Fire and Rescue Association Agreement (\$206,123)**

My FY22 Recommended Budget inadvertently left out the amount required to support provisions included in the Montgomery County Volunteer Fire and Rescue Association negotiated agreement effective FY22 as included in the three-year agreement transmitted to Council in 2020. This amendment corrects that error by adding funding to support an increase to the nominal fee stipend to \$525 or \$900 for active volunteers, a Length of Service Program increase of 2 percent for certain active members and negotiated association funding. The cost of this amendment is \$206,123. FY22 Fire Fund undesignated reserves are in line with my March 15 Recommended Budget and the County's Fiscal Policy for reserves in tax supported special revenue funds.

## **WORKING FAMILIES INCOME SUPPLEMENT (WFIS) NON-DEPARTMENTAL ACCOUNT**

### **Working Families Income Supplement (\$5,000,000)**

My FY22 Recommended Budget included a total increase of \$20,000,000 to fund the expansion of the Working Families Income Supplement consistent with actions by the General Assembly. The WFIS program provides funds to supplement the State's Refundable Earned Income Tax Credit (EITC). During its 2021 Session, the General Assembly increased the match for the Federal EITC from 28 percent to 45 percent (Chapter 39 of 2021). My FY22 Recommended Budget included \$15,000,000 in additional funding to provide the County's match for this enhancement.

The General Assembly also expanded the eligibility of the State and local EITC by allowing a taxpayer with an Individual Taxpayer Identification Number (ITIN) to claim the credit (Chapter 40 of 2021). Based on an analysis by the Department of Finance and the Office of Management and Budget, my FY22 Recommended Budget included \$5,000,000 in additional funding to provide the County's match for this enhancement. An initial analysis conducted by the Maryland Department of Legislative Services (DLS); however, suggests that the cost for this enhancement could be as high as \$16,000,000 – DLS is now working to refine its analysis. Since the exact number of ITIN filers in Montgomery County who would claim this credit is unknown at this time, the true cost of this enhancement cannot be estimated with complete reliability without experience under the expansion. Regardless of the amount budgeted, the County would be billed by the State for the County's match for this tax credit and the County would have to provide the funds. The initial invoice from the State, which will cover approximately 90 percent of our total cost for this supplement, will be provided in July – at which time we will be able to more reliably estimate the total cost of this enhancement. In the meantime, it would be prudent to provide additional funds for the WFIS program since this will likely cost more than what I initially proposed. The cost of this amendment is \$5,000,000 and will be funded from Federal Grant Funds received under the American Rescue Plan Act, consistent with my FY22 Recommended Budget.

**DEPARTMENT OF ENVIRONMENTAL PROTECTION – RECYCLING AND RESOURCE MANAGEMENT**

**Recycling and Resource Management (\$1,123,711 Disposal Fund and \$59,784 Collection Fund)**

The Recycling and Resource Management budget funds recycling collections from the entire County, broken into 13 regions. The collection contracts for regions 9-13 were recently rebid, as their 11-year term ends in October 2021, and negotiations for these contracts concluded after I transmitted the FY22 Recommended Budget to the Council. Although my recommended budget anticipated an increase for these contracts based on experience from recent years, the amount was not enough, and the winning bids total more than was budgeted. The cost of this amendment is \$1,183,495 (\$1,123,711 in the Disposal Fund and \$59,784 in the Collection Fund). Although the Collection Fund can absorb this increase without impacting rates, the Disposal Fund cannot, and the FY22 rate would need to be set at \$244.78, \$5.09 higher than the rate proposed in March.

**TECHNICAL AMENDMENTS**

Since the submission of my FY22 Recommended Budget, there are two technical amendments to the debt service budget. First, the FY22 debt service payment for the Wheaton Redevelopment project assumed that \$212,000 would be paid by rental income from retail tenants (the remaining \$2,143,550 of debt service is budgeted to be paid proportionally by CUPF, the Water Quality Protection Fund, and Permitting Services). Since rental income will not be available from retail tenants in FY22, a technical amendment is recommended to reduce rental income by \$212,000 and increase the transfer from the General Fund to the Debt Service Fund by \$212,000. This will increase the tax supported debt service appropriation by \$212,000 and reduce the non-tax supported debt service appropriation by \$212,000.

Second, as part of the total tax supported debt service appropriation, \$1,400,000 is assumed to cover the County's line of credit costs. My recommended budget assumed that the line of credit costs will be paid by the General Fund transfer to the Debt Service Fund. This technical amendment recommends that American Rescue Plan Act funds replace the General Fund as the funding source for line of credit costs. These two technical amendments provide \$1,188,000 in relief for the General Fund. This relief to the General Fund keeps the FY22 budgeted reserves at 9.6 percent, consistent with my March 15 Recommended Budget.

**ADDITIONAL ITEMS**

In addition to the amendments described above, there will likely be additional items that the Council will need to consider in the coming weeks.

**Extension of County Use of 6 Taft Court as a Temporary Homelessness Facility**

The original agreement between the County and the City of Rockville for the use of this facility as a temporary facility to house unsheltered individuals was scheduled to end April 30, 2021. However, the new homeless shelter facility is not scheduled to be completed until January 1, 2022. The Department of General Services has negotiated with the City of Rockville an extension of the use of 6 Taft Court until December 31, 2021. As a result, there will be additional unanticipated operating costs for this facility – including rent, mobile air conditioning, mobile bath house, utilities, and other costs. The Department of Housing and Community Affairs (DHCA) is working with the US Department of Housing and Urban

Tom Hucker, President, County Council  
April 21, 2021  
Page 4

Development (HUD) to determine if any of the County's unallocated CDBG funds can be repurposed to cover any of these expenditures. If repurposing is allowed, it would require an amendment to DHCA's Annual Action Plan with HUD. Once the total cost of this extension has been determined, and a determination has been made regarding the use of CDBG funds, I intend to submit a proposal to cover these costs.

### **Minority Health Initiatives**

To date, the County has funded the Latino Health Initiative's (LHI) Por Nuestra Salud y Bienestar Program and the African American Health Program (AAHP) Executive Committee's COVID Response Program that have been instrumental in helping us address health disparities in our COVID-19 response. Because my FY22 Recommended Budget was largely formed in late February and early March, funds to continue these COVID response programs were not included in my budget as we did not have clarity as to additional Federal and State funds for immunization efforts, nor was it clear how the pandemic would continue. I have since instructed DHHS to work with LHI and AAHP on a proposal to extend the program by six months to ensure continuity of services for these vital COVID response programs.

In addition to the programs implemented by LHI and AAHP, the Asian American Health Initiative (AAHI) has come forward with a proposal to implement a COVID-19 response program for the Asian American population in the County. DHHS is currently working with this group to refine the proposal and develop a budget to provide services for these residents. Once the details have been finalized in the coming weeks, I intend to submit a proposal to continue to provide COVID-19 response services for these communities.

Department staff and staff from the Office of Management and Budget will be happy to answer any questions you may have about these amendments as we work together to finalize the FY22 operating budget.

Attachments: Detail on Recommended FY22 CE Amendments Report, Non-Tax Supported and Tax Supported

c: Richard S. Madaleno, Chief Administrative Officer  
Fariba Kassiri, Deputy Chief Administrative Officer  
Marlene Michaelson, Executive Director, County Council  
Jennifer R. Bryant, Director, Office of Management and Budget  
Michael Coveyou, Director, Department of Finance  
Dave Kunes, Chief of Staff to Council President Hucker

# Detail on Recommended FY22 CE Amendments

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## Non-Tax Supported

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### EXPENDITURE AMENDMENTS

#### Recycling and Resource Management

Increase Cost: New Recycling Contracts for Regions 9-13 -- Collection Fund	59,784
Increase Cost: New Recycling Contracts for Regions 9-13 -- Disposal Fund	1,123,711

#### Debt Service

Decrease Cost: Shift Portion of Wheaton Debt Service Costs from Non-tax Supported to Tax Supported Funds	-212,000
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<b>Total Non-Tax Supported Expenditures</b>	<b>971,495</b>
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### RESOURCE AMENDMENTS

#### Debt Service

Shift Portion of Wheaton Debt Service Costs from Non-tax Supported to Tax Supported Funds	-212,000
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<b>Total Non-Tax Supported Resources</b>	<b>-212,000</b>
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# Detail on Recommended FY22 CE Amendments

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## Tax Supported

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### EXPENDITURE AMENDMENTS

#### **Fire and Rescue Service**

Increase Cost: MCVFRA - Negotiated Agreement **206,123**

#### **Health and Human Services**

Add: Operating Budget Impact to Open the Wellness Center at Seneca Valley High School **1,142,397**

Increase Cost: Developmental Disabilities Supplement Adjustment **323,368**

#### **Debt Service**

Increase Cost: Shift Portion of Wheaton Debt Service Costs from Non-tax Supported to Tax Supported Funds **212,000**

#### **NDA - Working Families Income Supplement**

Increase Cost: Working Families Income Supplement Adjustment for TIN Taxpayers **5,000,000**

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**Total Tax Supported Expenditures 6,883,888**

### RESOURCE AMENDMENTS

#### **Debt Service**

Use ARPA Funds to Maintain County's Line of Credit Related to COVID-19 **1,400,000**

#### **NDA - Working Families Income Supplement**

Use ARPA Funds for the Working Families Income Supplement for TIN Taxpayers **5,000,000**

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**Total Tax Supported Resources 6,400,000**

**Executive Recommended ARPA Uses for FY21 and FY22**

	FY21	FY22
<b>Previously approved special appropriations – funding shift</b>		
19-683 Therapeutic Youth Services	0.31	
19-684 Youth Support and Engagement Hubs	0.41	
19-690 Streeteries Winterization	1.25	
19-695 Por Nuestra Salud y Bienestar	4.62	
19-696 AAHP COVID Response	3.34	
19-709 Conference Center	2.50	
<b>Subtotal</b>	<b>12.43</b>	
Bethesda PLD Debt Service Coverage	5.90	
FY21 Estimated Tax Revenue Losses	41.10	
RELIEF Act	25.00	6.20
<b>FY22 Budget enhancements</b>		
CCT – Remote Proceeding Facilitators & Schedulers		0.27
HHS – Therapeutic Recreation Services		0.75
HHS – Mobile Health Clinic		0.62
HHS – Mental Health Services for MCPS Students & Families		3.60
HHS – Rapid Rehousing Expansion		0.25
HHS – Rental Assistance		0.49
CVB – Backfill Revenue Shortfall Hotel/Motel Tax		1.00
Incubator NDA – Entrepreneurship Ecosystem		0.32
MCEDC – Entrepreneurship Development		0.30
MCEDC – White Flint Project		0.25
MCEDC – Inclusive Economy		0.10
MCEDC – Entrepreneurs in Residence		0.25
MCEDC – Talent Pipeline/Workforce Development		0.10
Working Families Income Supplement		20.00
DTS – FiberNet2 Maintenance		0.50
Cable – FiberNet3 Build Out		0.70
Cable – Digital Equity		0.10
<b>Subtotal</b>		<b>30.41</b>
<b>Total</b>		<b>36.61</b>
<b>Unallocated</b>		<b>82.73</b>