Montgomery County Council

Committee: GO
Committee Review: Completed
Staff: Glenn Orlin, Senior Analyst; Gene Smith, Legislative Analyst
Purpose: Final action – vote expected
Keywords: :#SpendingAffordability, plus search terms capital improvements program, capital budget

AGENDA ITEM #4.1
February 4, 2020
Action

SUBJECT

Spending Affordability Guidelines for the FY21-26 Capital Improvements Program (CIP) and other CIP revenue assumptions; overview of FY21-26 CIP

EXPECTED ATTENDEES

Mary Beck, Capital Budget Coordinator, Office of Management and Budget
David Platt, Chief Economist, Department of Finance
Dennis Hetman, Fiscal and Policy Analyst, Department of Finance

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

Confirm the spending affordability guidelines and targets set on October 1, 2019 for General Obligation and M-NCPPC bonds. Concur with the Executive's recommended revenue assumptions for the Recordation Tax School Increment, Recordation Tax Premium, PAYGO, Current Revenue, and State School Construction Aid. Concur with the Executive's assumptions regarding inflation and the General Obligation bond set-aside. Recommend higher revenue assumptions from impact taxes: $5,880,000 more from the transportation tax and $9,858,000 from the school tax.

DESCRIPTION/ISSUE

The Council must either confirm or amend spending affordability guidelines for General Obligation and M-NCPPC bonds by February 4, 2020.

SUMMARY OF KEY DISCUSSION POINTS

The GO Committee recommends a slightly higher revenue assumption for impact taxes than proposed by the Executive (see above).

This report contains:

AGENDA ITEM #4.1
February 4, 2020
Action

MEMORANDUM

January 30, 2020

TO: County Council

FROM: Glenn Orlin, Senior Analyst
Gene Smith, Legislative Analyst

SUBJECT: Spending Affordability Guidelines for the FY21-26 CIP, and other CIP assumptions; overview of FY21-26 CIP

PURPOSE: Action

The objective for this worksession is for the Council to confirm or amend the Spending Affordability Guidelines (SAGs)[1] for the FY21-26 CIP and to set associated CIP revenue assumptions. February 4 is the legislative deadline for the Council either to confirm or amend guidelines. Any February revision is supposed to "reflect a significant change in conditions" regarding affordability, and not to take need into account. 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 County Code section describing this process is on ©1-3.

The Government Operations and Fiscal Policy (GO) Committee reviewed the guidelines and other CIP revenue assumptions at its January 30 worksession; its recommendations are shown **in bold print**.[2] All its recommendations were unanimous. This staff report also includes a broad overview of the Executive's Recommended CIP and some general guidance as to how the Council and its Committees should review it over the next few months.

I. GENERAL OBLIGATION BONDS

1. Council approved guidelines and targets. The General Obligation (G.O.) Bond SAGs apply to FY21, FY22, and the FY21-26 period. The SAGs and targets approved for the FY21-26 CIP on October 1, 2019 were $320 million in FY21, $310 million in FY22, $290 million each year in FYs23-24, and $280 million each year during FYs25-26, for a six-year total of $1.77 billion. The guidelines

[1] Key words:#SpendingAffordability, plus search terms capital improvements program, capital budget
[2] The worksession was attended by Councilmembers Navarro and Katz, so each of the GO Committee recommendations are 2-0. Councilmember Friedson was unable to attend the worksession

can be amended by a simple majority of Councilmembers present. 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 FY21 is $320 million, the Council cannot raise it higher than $352 million. Similarly, the FY22 guideline can increase by no more than 10%, to $341 million. The Council can raise or lower the FY21-26 guideline as high or low as it wishes.

The Executive proposes adhering to the guidelines and targets set by the Council on October 1; this is reflected in the G.O. Bond Adjustment Chart accompanying the Executive's January 15, 2020 CIP recommendations (©4). Table 1 displays the General Obligation Bond levels in recent CIPs and in the January 15 Recommended CIP ("**FY21-26 Rec**"):

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

CIP	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6 Year
FY15-20	299.5	324.5	327	332	332	332							1,947
FY15-20 Am	299.5	340	340	340	340	340							1,999.5
FY17-22			340	340	340	340	340	340					2,040
FY17-22 Am			340	340	340	340	340	340					2,040
FY19-24					330	320	310	300	300	300			1,860
FY19-24 Am					330	320	320	310	290	290			1,860
FY21-26 Rec							**320**	**310**	**290**	**290**	**280**	**280**	**1,770**

To assist in determining debt capacity—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 $2,400 in FY21 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.

The Department of Finance has updated the 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 fall to now is on ©5:

- The annual interest rates on bonds are assumed to remain unchanged at 5.0% annually.
- Based on the Fiscal Plan from December 2019 there is now virtually no Operating Budget revenue growth forecast for FY21 (+0.1%), compared to the 2.6% growth assumed in September. The forecasted rates of growth in FYs22-26 are also 0.4-0.5% lower than before.
- The population growth rate is marginally higher each year.
- The annual inflation rates are forecast to be substantially lower each year.
- The countywide assessable base is projected now to increase much more slowly.
- Countywide personal income is projected now to grow marginally faster each year.

These assumptions drive the results of these indicators more than the debt levels themselves. Using the new input assumptions, the Office of Management and Budget's (OMB) debt capacity analysis for the Executive's recommended guidelines and targets is on ©6.[2] Compare this chart to the analysis of the approved guidelines and targets from last September, on ©7. These charts show the following about the five indicators:

- *Debt/Assessed Value.* This indicator is slightly worse each year than in the September analysis. It does not dip below the 1.5% standard until FY26.
- *Debt service plus lease payments as a share of General Fund revenue.* This indicator is considerably worse than in September. This is due entirely to the much lower operating growth assumption going into FY21, which has a cascading effect into the later years. *The indicator is above 12% in the first three years of the CIP, the worst ever recorded in the 30-year history of the SAG process.*
- *Real debt/capita.* This indicator is worse than the $2,400/capita standard by 15-29%, depending on the year. Since debt service is increasing slightly faster than population, this indicator is a bit worse than it was in September, when the $2,400/capita standard was exceeded by 8-26%, depending on the year.
- *Debt/income.* This indicator is better (i.e., lower) than the 3.50% standard every year, compared to September. It is virtually unchanged in FYs21-24, and it improves further in FYs25-26.
- *Payout ratio.* This indicator is consistently in the desired 60-75% range each year.

GO Committee *(and Council staff)* **recommends not amending the General Obligation bond SAGs set in October.** Section 20-56(c)(4) of the County Code states that on the first Tuesday in February the Council can amend the CIP's Spending Affordability Guideline "to reflect a significant change in conditions" (see top of ©3). There is no significant improvement in conditions to justify raising the guidelines.

The indicators show that the County is still carrying too much of a debt burden. The guidelines and targets approved in October move in the right direction, but it will take many years at the $280 million/year (or lower) level to attain a sustainable debt service burden.

2. 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. Compared to its forecast last March, Finance is now assuming the annual inflation rates to be substantially lower in FYs21-26.

Typically, a forecast is developed during the winter which is part of the basis for building the Executive's Recommended CIP. Finance updates these assumptions in the late winter based on more recent trends, in preparation for the development of the Executive's Recommended Operating Budget and Public Services Program (PSP). The Council uses the same rates in the CIP as in the PSP. **When the updated rates are available Council staff will report their effect on the funds available for programming.** Table 2 shows the inflation assumptions used in the recently approved CIPs:

[2] This corrects the Debt Capacity Analysis on p. 6-15 of the Recommended FY21-26 Capital Improvements Program.

Table 2: Inflation Assumptions in Recent CIPs (%)

CIP	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
FY17-22	1.80	2.30	2.50	2.70	2.70	2,70				
FY17-22 Am	1.80	2.30	2.50	2.60	2.60	2.60				
FY19-24			1.95	2.07	2.20	2.30	2.38	2.43		
FY19-24 Am			1.95	2.32	2.53	2.70	2.70	2.70		
FY21-26 Rec					**1.59**	**1.61**	**1.60**	**1.56**	**1.56**	**1.54**

*3. **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) one-time needs or opportunities that cannot be foreseen. The set-asides in recent CIPs are shown in Table 3:

Table 3: Capital Set-Asides for General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr	%
FY17-22	10.4	21.6	28.7	47.9	59.5	99.4					267.5	12.4
FY17-22 Am			0.0	18.5	18.2	35.8	38.0	71.8			182.3	8.4
FY19-24			15.1	19.5	20.4	23.6	42.6	45.4			166.7	8.5
FY19-24 Am			0.0	12.0	15.8	21.5	51.9	58.1			159.4	8.1
FY21-26 Rec					**15.3**	**16.8**	**22.0**	**27.6**	**31.3**	**48.6**	**161.6**	**8.5**

During most of the past decade, the pattern for set-asides has been that a full CIP reserved about 8-9% of available funding. This level of reserves has been enough to allow for growth in the cost of projects already in the CIP and a fiscal placeholder for some projects in facility planning to be funded for construction in the subsequent CIP. For the FY21-26 CIP the Executive is recommending a set-aside of about $161.6 million, or 8.5% of the G.O. bond proceeds available for programming. **GO Committee** *(and Council staff)* **concurs with the Executive.** Once the Council reconciles the final CIP, the asides should be like those proposed by the Executive.

II. PAYGO

Typically, the CIP dedicates a certain amount of current revenue as an offset against bond expenditures, also called PAYGO. The County policy is to peg the amount of PAYGO in a year to at least 10% of the G.O. Bond guideline or target for that year. The Executive's recommendation is to program PAYGO at 10% of the guidelines and targets, as in years past. The PAYGO assumptions in recent CIPs are in Table 4.

Table 4: PAYGO Assumptions in Recent CIPs ($ millions)

CIP	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr
FY17-22	34.0	34.0	34.0	34.0	34.0	34.0					204.0
FY17-22 Am	34.0	34.0	34.0	34.0	34.0	34.0					204.0
FY19-24			33.0	32.0	31.0	30.0	30.0	30.0			186.0
FY19-24 Am			33.0	32.0	32.0	31.0	29.0	29.0			186.0
FY21-26 Rec					**32.0**	**31.0**	**29.0**	**29.0**	**28.0**	**28.0**	**177.0**

GO Committee *(and Council staff)* **concurs with the Executive's recommendation.**

III. IMPACT AND RECORDATION TAXES

Recordation taxes. The recordation tax is in three tiers: the revenue in the first tier is deposited into the General Fund, the second increment is dedicated to capital funding for Montgomery County Public Schools (MCPS), and a third tier—the Recordation Tax Premium that is applied to recordations above $500,000—is split evenly between County Government capital projects and rental assistance programs. The funds dedicated to capital projects are essentially types of PAYGO or Current Revenue.

During the recession the Council approved legislation that allowed funds from the second and third tiers of the recordation tax to be used for the Operating Budget in FY11 and FY12. Therefore, 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. Starting in FY17 the Council approved a large increase in the tax associated with the School Increment. The revenue from the Recordation Tax—School Increment since FY03 is shown below:

Table 5: 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	24,948,565
FY15	26,147,938
FY16	28,930,068
FY17	57,826,468
FY18	55,495,916
FY19	62,274,141
FY20 (first half)	27,181,745

The experience in the first six months of this fiscal year suggests a drop in revenue: through December the County has collected about $37.2 million, which projects to $74.4 million for the full year: about $10 million more than the $64.7 million that had been forecasted in the Amended CIP. Based on Finance's latest projections, the Executive is recommending programming $68,398,000 in School Recordation Tax revenue in FY21: about $3.7 million more than had been assumed for FY21 in the Amended CIP. The forecasts for the subsequent years have also been revised upward. Table 6 shows the revenues assumed in the Amended and Recommended CIPs:

Table 6: School Increment of Recordation Tax ($ thousands)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr
FY19-24 Am	73,613	64,658	64,770	66,045	67,963	71,319			408,368
FY21-26 Rec			**68,398**	**71,599**	**75,152**	**79,481**	**84,083**	**88,358**	**467,071**

The Executive is recommending programming $17,472,000 in Recordation Tax Premium revenue in FY21—about $1 million more than the amount assumed for FY21 in the Amended CIP and $1.5-2.1 million more annually in succeeding years. During the first half of FY20 the County has collected $10,693,330 in Recordation Tax Premium revenue. This figure suggests that $21.4 million may be a reasonable assumption for collections in FY20, which is nearly $5 million more than the $16.5 million assumed in the Amended CIP. Whatever funds are available above the estimates could be used as resources for CIP Reconciliation in May.

Table 7: Recordation Tax Premium ($ thousands)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr
FY19-24 Am	19,852	16,482	16,455	16,807	17,311	18,155			105,062
FY21-26 Rec			**17,472**	**18,282**	**19,178**	**20,260**	**21,409**	**22,483**	**119,084**

GO Committee *(and Council staff)* **concurs with Executive's assumptions for the Recordation Tax School Increment and the Recordation Tax Premium.**

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 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.

To forecast impact tax revenue, Finance set the baseline conservatively according to the 11-year moving averages of collections, including the recession year of 2009, resulting in $24.36 million for the School Tax and $12.2M for the Transportation Tax. However, due to the exemption for market-rate units in developments where 25% of affordable housing would be provided, these amounts have been written down by $9.2 million/year ($5.7 million from the school tax; $3.5 million from the transportation tax) and is based on a projected total revenue loss of $92 million of impact taxes. These losses are based on an analysis of 11 projects that have agreed or have signaled an intent to utilize the exemption; these projects are in various stages of development (including construction, site plan approval, and preliminary/sketch plan approval).

Based on current information about the number of market-rate units produced by these projects, the mix of units (high-rise, townhouse, etc.), and the geographic location (Red, Orange, Yellow, or Green Policy Areas), Finance and OMB staff estimate foregone revenue of $92 million with the full build-out of each of these 11 projects. The staffs estimate the foregone revenue would be spread out over a build-out period of ten years, thus the $9.2 million/year write-down.

Regarding the Transportation Impact Tax, therefore, the Executive is recommending assuming an average annual revenue of $8,772,000 (roughly $12.2 million minus the $3.5 million write-down) over each of the six years of the CIP. Revenue from this tax is very difficult to predict due to vacillations in

building cycles and, for this tax, the further uncertainty as to when credits are cashed in. Revenue in the first half of FY20 has been $5,598,259[3], which projects to about $11.2 million.

Council staff generally concurs with the methodology used to forecast impact tax revenue, except that the baseline should be the past 10 years, not 11, especially since 2009 was an outlier. The revenue forecast using a 10-year baseline (2010 through 2019) but with the same $3.5 million annual write-down for the Transportation Tax: an average Transportation Impact Tax revenue of $9,752,000, about $1 million more than the Executive's recommendation, and about $6 million more overall:

Table 8: Transportation Impact Tax Revenue Assumptions ($ thousands)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr
FY19-24 Am	17,308	12,000	12,000	12,000	12,000	12,000			77,308
FY21-26 Rec			**8,772**	**8,772**	**8,772**	**8,772**	**8,772**	**8,772**	**52,632**
FY21-26 CStaff			***9,752***	***9,752***	***9,752***	***9,752***	***9,752***	***9,752***	***58,512***

Revenue from the School Impact Tax since it was initiated in FY04 is shown below:

Table 6: 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	45,837,274
FY15	32,676,773
FY16	23,349,333
FY17	39,286,909
FY18	20,795,511
FY19	27,729,115
FY20 (first half)	10,955,931

The Executive is recommending $18,575,000 be programmed with School Impact Tax revenue in FY21, about 26% less than what the Amended CIP had assumed for that year. He recommends the same level in subsequent years. Using a 10-year baseline but with the same $5.7 million annual write-down, results in an average School Impact Tax revenue of $20,218,000, about $1.6 million more annually than the Executive's recommendation, and about $10 million more overall. During the first six months of FY20 the County has collected $10,955,931 in School Impact Taxes, which projects to about $21.9 million for the full year.

[3] This does not include collections in Rockville and Gaithersburg, which are reserved for projects within their boundaries.

Table 9: School Impact Tax Revenue Assumptions ($ thousands)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr
FY19-24 Am	22,557	25,000	25,000	27,500	27,500	27,500			155,057
FY21-26 Rec			**18,575**	**18,575**	**18,575**	**18,575**	**18,575**	**18,575**	**111,450**
FY21-26 CStaff			***20,218***	***20,218***	***20,218***	***20,218***	***20,218***	***20,218***	***121,308***

GO Committee *(and Council staff)* **recommends assuming revenue of $9,752,000 annually from the Transportation Impact Tax and $20,218,000 annually from the School Impact Tax, cumulatively an increase of $15,738,000 over the Executive's assumptions for the six-year period, but still considerably below what had been forecast in the Amended CIP.**

IV. STATE SCHOOL CONSTRUCTION AID

Table 10, below, shows the State school construction aid assumptions in the last four CIPs. In each of the last two years the County has received State aid of $59.7 million and $59.2 million, respectively. The Executive is assuming that the $58.7 million State contribution in FY21 and subsequent years.

Table 10: State School Construction Aid in Recent CIPs ($ millions)

CIP	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr
FY17-22	50.1	51.7	51.7	51.7	51.7	51.7					308.6
FY17-22 Am	50.1	59.2	51.7	51.7	51.7	51.7					316.1
FY19-24			59.7	59.2	59.2	59.2	59.2	59.2			355.7
FY19-24 Am			59.7	59.2	59.2	59.2	59.2	59.2			355.7
FY21-26 Rec					**58.7**	**58.7**	**58.7**	**58.7**	**58.7**	**58.7**	**352.2**

The Education and Culture (E&C) Committee will evaluate the State aid assumption estimates during its review of the Board of Education (BOE) CIP request. Regardless of the revenue assumption eventually selected, the E&C Committee may again need to request the BOE to develop a "negative wish list" since the revenue that needed to fund the BOE's request does not appear to be forthcoming.

V. CURRENT REVENUE

The Executive's proposed Current Revenue Adjustment Chart is on ©8. The Executive is recommending that about $485.4 million of tax-supported Current Revenue be available in FY21-26 (inflation adjusted), 22.6% more than in the Amended CIP. Current Revenue levels in past CIPs and the Recommended CIP are shown below:

Table 11: Current Revenue in Recent CIPs ($ millions, inflation adjusted)

CIP	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	6-Yr
FY17-22	45.8	80.8	80.7	71.4	72.1	65.0					405.1
FY17-22 Am	59.1	72.8	95.3	71.5	77.9	70.5					447.1
FY19-24			26.3	78.7	84.6	71.0	90.3	88.4			439.3
FY19-24 Am			26.3	33.5	84.4	70.4	91.5	90.0			395.9
FY21-26 Rec					**84.8**	**76.5**	**93.8**	**89.4**	**69.7**	**71.1**	**485.4**

GO Committee *(and Council staff)* **recommends using the Executive's assumptions for now.** If past is prologue, the Executive's recommended Current Revenue proposal for FY21 will be reduced somewhat in March as the he tries to find resources to fund his Recommended Operating Budget.

VI. M-NCPPC BONDS

In the Amended CIP approved last May, the SAGs for bonds issued by the Maryland-National Capital Park & Planning Commission (M-NCPPC) were $6.5 million/year in FYs19-20, $6.6 million/year in FYs21-23, and $6.7 million in FY24, a total of $39.5 million. In its recommendation for M-NCPPC bond SAGs in the FY21-26 CIP, the Planning Board advocated raising the annual level to $8.0 million, for a total of $48.0 million (+21.5%). The Board said it would plan to spend the additional resources afforded by an $8 million annual bond limit for local park rehabilitation level-of-effort projects, such as PLAR, energy conservation, and the like. These projects hold the possibility of reducing annual operation and maintenance costs in upcoming budgets. If so, then much—or perhaps all—of the additional debt service from an $8 million program might be balanced by savings in operations and maintenance. The Executive, on the other hand, had recommended levels reflecting the status quo: $6.6 million in FYs21-23 and $6.7 million in FYs24-26, for a total of $39.9 million (+1.0%).

The Council decided to raise the guidelines for FYs21-22 to $8 million/year, but to retain the Executive's "status quo" levels in the outer years: $6.6 million in FY23, and $6.7 million annually in FYs24-26, for a six-year guideline of $42.7 million (+8.1%). The rationale was that, two years from now, there should be an evaluation of whether the additional investments indeed result in enough operations and maintenance cost savings to offset much or all the added debt service. If so, and if investments beyond FY22 will be primarily in rehabilitation and renovation of local parks, then the Council could raise the guidelines and targets for the FY23-28 CIP to $8 million annually knowing that the overall Park and Planning tax Operating Budget burden will have been held in check.

The Executive proposes adhering to the guidelines and targets set by the Council on October 1; this is reflected in the M-NCPPC Bond Adjustment Chart on ©9. **GO Committee** *(and Council staff)* **recommends not amending further the M-NCPPC bond SAGs that were set on October 1.**

VII. OVERVIEW OF EXECUTIVE'S RECOMMENDED CIP

1. Historical growth in the CIP. The CIP has grown at varying rates as shown below:

Table 12: Funds Programmed in Recent CIPs (not including WSSC)

	Funding	% Change from Prior Year
Approved FY09-14 CIP	$3,377,467,000	+5.9%
Amended FY09-14 CIP	$3,743,831,000	+10.8%
Approved FY11-16 CIP	$4,008,277,000	+7.1%
Amended FY11-16 CIP	$4,046,739,000	+1.0%
Approved FY13-18 CIP	$4,214,846,000	+4.2%
Amended FY13-18 CIP	$4,388,501,000	+4.1%
Approved FY15-20 CIP	$4,451,976,000	+1.4%
Amended FY15-20 CIP	$4,580,629,000	+2.9%
Approved FY17-22 CIP	$4,621,186,000	+0.9%
Amended FY17-22 CIP	$4,936,896,000	+6.8%
Approved FY19-24 CIP	$4,424,260,000	-10.4%
Amended FY19-24 CIP	$4,370,105,000	-1.2%
Exec. Rec. FY21-26 CIP	**$4,228,170,000**	**-3.2%**

2. Major Funding Categories. The CIP is built on multiple funding sources (see ©10 for the major categories published in the Executive's recommended budget). Council staff further refined these funding categories on ©10 to a few categories based common traits in Table 13. The following is an explanation of the categorization by Council staff:

SAG – Includes G.O. bonds, PAYGO, and Agency Bonds. All three funding sources are set by the Council through the SAG process.
Current Revenue – Includes Current Revenue from the General Fund, Other tax-supported funds, and Non-tax supported funds. All three funding sources reduce potential resources available to these funds in the operating budget.
Other Debt-related – Includes Revenue Bonds, Short/Long-term Financing, and HIF Bonds. All three funding sources result in additional debt service expenditures in the operating budget, but the Council does not set a limit like the SAG process.
Other – Includes Intergovernmental, Contributions, Land, and Other. Intergovernmental funding is more than 80% of this funding source; the remaining are project dependent.

Table 13: Comparison from Approved to Recommended CIP ($000)

Funding Category	FY19-24AM	FY21-26 (Rec.)	Percent Change
SAG	1,913,237	1,833,811	- 4.2%
Current Revenue	605,497	618,215	+ 2.1%
Other Debt-related	344,902	349,537	+ 1.3%
Recordation Taxes	513,430	586,155	+ 14.2%
Impact Taxes	235,124	167,064	- 28.9%
Other	757,915	673,388	- 11.2%
Total	**4,370,105**	**4,228,170**	**- 3.2%**

See ©11 for a ten-year comparison of debt-related funding categories and debt service appropriations in the operating budget and see ©12 for a ten-year comparison of the changes in current revenue, impact taxes, and recordation taxes. The following are noteworthy observations from these charts:

- Debt service expenditures continue to increase. Though the Council has reduced SAG for G.O. bonds, there are two reasons that debt service expenditures have not reached an apex. First, the reductions in SAG will take multiple years to impact actual expenditures because the County is still issuing more bonds than it was ten to twenty years ago. Second, the CIP includes other debt-related funding sources that result in additional debt service expenditures in the operating budget.
- Current Revenue has increased by 65% since the approved FY11-16 CIP. This additional funding supports capital projects but reduces the resources available in the operating budget.
- Recordation and impact taxes are moving in opposite directions. This is primarily due to Council decisions – 1) raising the school recordation tax in FY17; and 2) providing additional impact tax exemptions to certain development projects.

*3. **Size and distribution of the requests.*** The 'outside' agencies—Montgomery County Public Schools, Montgomery College, the Maryland-National Capital Park and Planning Commission, the Revenue Authority, and the Housing Opportunities Commission—transmitted their respective requests for the FY21-26 CIP late last year. On January 15 the Executive transmitted his recommendations, both for the departments and offices of the County Government and for the outside agencies. Below is a summary of the agencies' requests and the Executive's recommendations as compared to the FY19-24 CIP as amended last May:

Table 14: Requested Funds by Agency and Program (in $000)

	Amended CIP	Agency Request	Percent Change	Executive's Rec.	Percent Change
Montgomery County Public Schools	$1,744,008	1,818,197	+4.3%	$1,714,419	-1.7%
Montgomery College	276,189	341.420	+23.6%	312,850	+13.3%
M-NCPPC (Parks)	234,659	253,258	+7.9%	231,560	-1.3%
Revenue Authority	17,450	17,450	0.0%	17,450	0.0%
Housing Opportunities Commission	8,700	8,000	-8.0%	8,000	-8.0%
County Government	2,089,099	1,943,841	-7.0%	1,943,841	-7.0%
Housing/Community Development	*51,441*			*152,750*	*+196.9%*
Conservation of Natural Resources	*20,096*			*20,129*	*+0.2%*
Health & Human Services	*22,582*			*30,128*	*+33.4%*
General Government	*513,598*			*298,667*	*-41.8%*
Libraries & Recreation	*149,410*			*165,229*	*+10.6%*
Public Safety	*150,386*			*162,578*	*+8.1%*
Recycling & Resource Management	*27,700*			*58,928*	*+112.7%*
Stormwater Management	*104,990*			*112,230*	*+6.9%*
Transportation	*1,048,894*			*943,252*	*-10.1%*
TOTAL	**$4,370,105**	**$4,382,166**	**+0.3%**	**$4,228,170**	**-3.2%**

Another point of comparison is the percentage of resources that the Executive is recommending for each agency compared the relative shares in the Approved CIP as amended last May as shown in Table 15. See ©13 for a ten-year comparison of the percentage of resources for the four largest agencies.

Table 15: Percentage of Programmed Funds by Agency and Program

	Amended FY19-24 CIP	Percent	Executive's Rec. FY21-26 CIP	Percent
Montgomery County Public Schools	$1,744,008,000	39.9%	$1,714,419,000	40.5%
Montgomery College	276,189,000	6.3%	312,850,000	7.4%
M-NCPPC (Parks)	234,659,000	5.4%	231,560,000	5.5%
Revenue Authority	17,450,000	0.4%	17,450,000	0.4%
Housing Opportunities Commission	8,700,000	0.2%	8,000,000	0.2%
County Government	2,089,099,000	47.8%	1,943,841,000	46.0%
Housing/Community Development	*51,441,000*	*1.2%*	*152,750,000*	*3.6%*
Conservation of Natural Resources	*20,098,000*	*0.5%*	*20,129,000*	*0.5%*
Health & Human Services	*22,582,000*	*0.5%*	*30,128,000*	*0.7%*
General Government	*513,598,000*	*11.8%*	*298,667,000*	*7.1%*
Libraries & Recreation	*149,410,000*	*3.4%*	*165,229,000*	*3.9%*
Public Safety	*150,386,000*	*3.4%*	*162,578,000*	*3.8%*
Recycling & Resource Management	*27,700,000*	*0.6%*	*58,928,000*	*1.4%*
Stormwater Management	*104,990,000*	*2.4%*	*112,230,000*	*2.7%*
Transportation	*1,048,894,000*	*24.0%*	*943,252,000*	*22.3%*
TOTAL	**$4,370,105,000**	**100.0%**	**$4,228,170,000**	**100.0%**

4. Projects eligible for funding. Most projects in the Executive's Recommended CIP are graduates of the full facility planning process. However, facility planning has also been substantially completed for some other projects that do *not* appear in the Recommended CIP. They are not shown because either: (1) facility planning had not been completed when the departments' CIP recommendations were made last summer, but is substantially completed now, six months later; or (2) facility planning had been completed, but the Executive did not ascribe to them a high enough priority to recommend them. Nevertheless, Council staff will bring before the Council these projects for its consideration since, of course, the Council's decision on these matters is the final one. In the past, the Council has decided to program many of them, but not all.

5. Infrastructure Maintenance Task Force (IMTF) Report. A near final draft of the IMTF Report, documenting the current shortfalls in funding for IM projects (e.g., PLAR, roof replacement, HVAC replacement, resurfacing, etc.) across all County agencies, will be released soon. In the past it has served as a useful guide in determining which IM efforts are most deserving of enhanced funding.

6. Working through the CIP. Here are a few comments and cautions, mostly to ward off serious divisiveness (a.k.a., a "train wreck") when the CIP is reconciled to the debt and current revenue guidelines and targets in mid-May. In most years CIP Reconciliation is achieved with little fanfare by making minor expenditure adjustments to several projects. But if after its initial round of worksessions the Council produces a pre-reconciled CIP that is well above the guidelines and targets, then Reconciliation can and has been an ugly exercise.

There is another reason to try to keep close to the guidelines and targets during the next few months. If the cumulative effect of the Council's straw votes is to include more funding than can reasonably be absorbed in the end, then the constituents for these projects can be lulled into a false sense of security that their projects are 'safe,' only to have the rug cut out from under them when projects are deferred or even deleted in mid-May. A better general approach is, if there is any question about the merit of a project, to be conservative about the amount or timing of its funding. This is generally the

approach the Council uses with the Operating Budget, where it adds to the Executive's recommendations only when the Reconciliation List (a.k.a., "Wish List") is compiled in mid-May.

Unfortunately, none of us have thought of a way to figure out a true "Wish List" process for the CIP. This is because most projects are multi-year in nature, and many have multiple funding sources. Reconciling the Operating Budget is simple addition to a predetermined total; reconciling the CIP is more akin to solving a Rubik's Cube: accelerating or decelerating a project may help in meeting the target in one of the six years, but may exacerbate the problem in other years. Nevertheless, the Council has managed to stay within spending affordability in nearly all the CIPs approved since the voters approved Charter Question 'F' in 1990.

Here are some suggestions for the Council as it works through the CIP:

1. *Always keep in mind that the Council's aggregate CIP funding will likely be only marginally different than the aggregate funding level proposed by the Executive.* This means that, with a few exceptions, additions the Council wishes to make over the Executive's recommendations for particular projects should be accompanied by cuts to other projects.

2. *Remember it is especially difficult to make significant changes to the Executive's recommendations in FY21 and FY22.* Most of the recommended spending in these years is for projects either already under construction or about to go under construction (for which significant funds have already been expended for planning, design, and land acquisition). Most of the rest of the funds are for continuing "level of effort" projects like PLAR, HVAC, etc.

3. *While keeping the first two points in mind, don't think that each committee must work to keep "its" part of the capital budget within an artificial limit, such as the Executive's recommendations.* The CIP is an expression of the Council's priorities, not anyone else's. If the Council stays within the Executive's recommendations, it would be unnecessarily chaining itself to his general funding priorities.

4. *There is no Reconciliation (a.k.a. "Wish") List for the CIP.* During the worksessions each committee (and later, the Council) should make definitive decisions about each project: approve it as recommended, delay it, accelerate it, amend its scope, or delete it. At the same time, individual Councilmembers should make known publicly whether he or she has a caveat about its status. For example, if you think a project is important but not critical, you might recommend its approval during the worksession but say you may need to revisit its funding or timing at CIP Reconciliation. Our analysts have sharp ears and will pick up on these clues. This information will help immensely as we put together a CIP Reconciliation package.

5. *Use the last Approved (as amended) CIP as the benchmark, not the Executive's or an agency's request.* Although the Executive, BOE, Parks Board, etc., have prepared recommendations, progress on a project is best measured against the last official decision—the Approved CIP as amended last year.

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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.)

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*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.

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.

(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

FY21-26 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 15, 2020

($ millions)	6 YEARS	FY21	FY22	FY23	FY24	FY25	FY26
BONDS PLANNED FOR ISSUE	1,770.000	320.000	310.000	290.000	290.000	280.000	280.000
Plus PAYGO Funded	177.000	32.000	31.000	29.000	29.000	28.000	28.000
Adjust for Implementation **	-	-	-	-	-	-	-
Adjust for Future Inflation **	(47.687)	-	-	(5.024)	(9.907)	(14.150)	(18.606)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,899.313	352.000	341.000	313.976	309.093	293.850	289.394
Less Set Aside: Future Projects	**161.621**	**15.317**	**16.841**	**22.009**	**27.562**	**31.270**	**48.622**
	8.51%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,737.692	336.683	324.159	291.967	281.531	262.580	240.772
MCPS	(646.806)	(148.120)	(127.481)	(101.355)	(99.310)	(101.181)	(69.359)
MONTGOMERY COLLEGE	(126.884)	(21.748)	(23.341)	(17.239)	(23.056)	(21.000)	(20.500)
M-NCPPC PARKS	(65.044)	(10.154)	(9.708)	(12.306)	(11.576)	(10.500)	(10.800)
TRANSPORTATION	(505.374)	(106.579)	(110.394)	(80.069)	(63.864)	(72.991)	(71.477)
MCG - OTHER	(448.884)	(83.084)	(75.533)	(80.998)	(83.725)	(56.906)	(68.636)
Programming Adjustment - Unspent Prior Years*	55.300	33.002	22.298				-
	-						
SUBTOTAL PROGRAMMED EXPENDITURES	(1,737.692)	(336.683)	(324.159)	(291.967)	(281.531)	(262.580)	(240.772)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		1.59%	1.61%	1.60%	1.58%	1.56%	1.54%

(4)

DEBT CAPACITY ANALYSIS
KEY ASSUMPTIONS AND INPUTS
SAG vs. CE RECOMMENDED FY21-26 CIP (January, 2020)

		Year 1 FY 21	Year 2 FY 22	Year 3 FY 23	Year 4 FY 24	Year 5 FY 25	Year 6 FY 26
1	INTEREST RATE ON BONDS						
	SAG September 2019	5.00%	5.00%	5.00%	5.00%		
	FY21-26 CIP - January 24, 2020	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
2	OPERATING GROWTH						
	SAG September 2019	2.60%	2.70%	3.00%	3.20%		
	FY21-26 CIP - January 24, 2020	0.10%	2.30%	2.50%	2.80%	2.70%	2.70%
3	POPULATION						
	SAG September 2019	1,076,810	1,083,520	1,090,270	1,097,060		
	FY21-26 CIP - January 24, 2020	1,079,900	1,089,000	1,097,900	1,106,800	1,115,700	1,124,600
4	FY CPI INFLATION						
	SAG September 2019	2.35%	2.35%	2.35%	2.35%		
	FY21-26 CIP - January 24, 2020	1.59%	1.61%	1.60%	1.58%	1.56%	1.54%
5	ASSESSABLE BASE-COUNTYWIDE						
	SAG September 2019	215,683,200	225,148,000	235,024,500	246,537,500		
	FY21-26 CIP - January 24, 2020	203,641,700	209,121,900	214,702,800	220,355,100	226,616,100	233,133,600
6	TOTAL PERSONAL INCOME						
	SAG September 2019	103,470,000,000	107,870,000,000	112,440,000,000	117,080,000,000		
	FY21-26 CIP - January 24, 2020	106,300,000,000	110,900,000,000	115,800,000,000	120,100,000,000	125,700,000,000	131,700,000,000

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DEBT CAPACITY ANALYSIS

FY21-26 CAPITAL IMPROVEMENTS PROGRAM

January 24, 2020

6 Yr. Total ($Mn.) =1,770.0 MILLION

FY21 Total ($Mn.)= 320.0 MILLION

FY22 Total ($Mn.)= 310.0 MILLION

	GUIDELINE	FY20	FY21	FY22	FY23	FY24	FY25	FY26
1. GO Bond Guidelines ($000s)		320,000	320,000	310,000	290,000	290,000	280,000	280,000
2. GO Debt/Assessed Value	1.5%	1.66%	1.67%	1.64%	1.60%	1.56%	1.51%	1.47%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**11.54%**	**12.08%**	**12.15%**	**12.23%**	**11.84%**	**11.76%**	**11.54%**
4. $ Debt/Capita		3,074	3,147	3,151	3,132	3,109	3,070	3,040
5. $ Real Debt/Capita	$2,400	3,074	3,097	3,053	2,987	2,918	2,838	2,767
6. Capita Debt/Capita Income	3.5%	3.27%	3.20%	3.09%	2.97%	2.86%	2.73%	2.60%
7. Payout Ratio	60% - 75%	70.19%	71.03%	71.81%	72.67%	73.47%	74.27%	74.68%
8. Total Debt Outstanding ($000s)		3,346,615	3,397,970	3,431,755	3,438,892	3,440,529	3,425,863	3,419,112
9. Real Debt Outstanding ($000s)		3,282,604	3,344,831	3,324,405	3,278,967	3,229,540	3,166,330	3,112,020
10. OP/PSP Growth Assumption			0.1%	2.3%	2.5%	2.8%	2.7%	2.7%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY18 approved budget to FY19 budget for FY19 and budget to budget for FY20-24.

DEBT SERVICE IMPACT	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Assumed Issue Size ($000)	320,000	320,000	310,000	290,000	290,000	280,000	280,000
GO Bond Debt Service ($000)	393,915	405,576	419,997	432,033	439,524	448,104	452,788
Dollar change in GO Bond debt service (year to year)	9,836	11,661	14,421	12,036	7,491	8,581	4,683
Percentage change in GO Bond debt service (year to year)	2.56%	2.96%	3.56%	2.87%	1.73%	1.95%	1.05%
Dollar change in GO Bond debt service from the base (FY20)	0	11,661	26,082	38,118	45,609	54,190	58,873
Percentage change in GO Bond debt service from the base (FY20)	0.00%	2.96%	6.62%	9.68%	11.58%	13.76%	14.95%
STL and LTL Debt Service	33,421	41,292	40,169	42,738	32,764	33,088	31,610
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	427,335	446,868	460,166	474,770	472,287	481,192	484,398
Total Revenues	3,702,442	3,699,227	3,786,581	3,882,720	3,989,043	3,882,720	3,989,043

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)							
Approved GO bond debt issuance		320,000	320,000	310,000	290,000	290,000	0	0
Assumed GO bond debt issuance		320,000	320,000	310,000	290,000	290,000	280,000	280,000
Increase/(Decrease) in GO bond debt issuance	560,000	0	0	0	0	0	280,000	280,000

S:\CIP\FISCAL\FY21-26 FULL CIP\Debt Capacity\Post Jan 15th 2020\Display

DEBT CAPACITY ANALYSIS

FY21-26 CAPITAL IMPROVEMENTS PROGRAM

September 2019

6 Yr. Total ($Mn.) =1,770.0 MILLION

FY21 Total ($Mn.)= 320.0 MILLION

FY22 Total ($Mn.)= 310.0 MILLION

	GUIDELINE	FY20	FY21	FY22	FY23	FY24	FY25	FY26
1. GO Bond Guidelines ($000s)		320,000	320,000	310,000	290,000	290,000	280,000	280,000
2. GO Debt/Assessed Value	1.5%	1.66%	1.63%	1.59%	1.55%	1.50%	1.50%	1.49%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**11.54%**	**11.86%**	**11.91%**	**11.94%**	**11.51%**	**11.41%**	**11.15%**
4. $ Debt/Capita		3,074	3,092	3,122	3,071	3,044	3,031	3,025
5. $ Real Debt/Capita	$2,400	3,074	3,016	2,965	2,840	2,741	2,658	2,583
6. Capita Debt/Capita Income	3.5%	3.27%	3.20%	3.10%	2.98%	2.86%	2.85%	2.84%
7. Payout Ratio	60% - 75%	70.19%	71.03%	71.81%	72.67%	73.47%	74.27%	74.68%
8. Total Debt Outstanding ($000s)		3,346,615	3,397,970	3,431,755	3,438,892	3,440,529	3,425,863	3,419,112
9. Real Debt Outstanding ($000s)		3,282,604	3,314,123	3,259,079	3,179,997	3,097,868	3,003,567	2,918,839
10. OP/PSP Growth Assumption			2.0%	2.5%	2.9%	3.2%	3.0%	3.0%

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

(2) OP/PSP Growth Assumption equals change in revenues from FY18 approved budget to FY19 budget for FY19 and budget to budget for FY20-24.

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DEBT SERVICE IMPACT	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Assumed Issue Size ($000)	320,000	320,000	310,000	290,000	290,000	280,000	280,000
GO Bond Debt Service ($000)	393,915	405,576	419,997	432,033	439,524	448,104	452,788
Dollar change in GO Bond debt service (year to year)	9,836	11,661	14,421	12,036	7,491	8,581	4,683
Percentage change in GO Bond debt service (year to year)	2.56%	2.96%	3.56%	2.87%	1.73%	1.95%	1.05%
Dollar change in GO Bond debt service from the base (FY20)	0	11,661	26,082	38,118	45,609	54,190	58,873
Percentage change in GO Bond debt service from the base (FY20)	0.00%	2.96%	6.62%	9.68%	11.58%	13.76%	14.95%
STL and LTL Debt Service	33,421	41,292	40,169	42,738	32,764	33,088	31,610
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	427,335	446,868	460,166	474,770	472,287	481,192	484,398
Total Revenues	3,702,442	3,767,984	3,864,302	3,977,517	4,102,067	3,977,517	4,102,067

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)							
Approved GO bond debt issuance		320,000	320,000	310,000	290,000	290,000	0	0
Assumed GO bond debt issuance		320,000	320,000	310,000	290,000	290,000	280,000	280,000
Increase/(Decrease) in GO bond debt issuance	560,000	0	0	0	0	0	280,000	280,000

TAX SUPPORTED CURRENT REVENUES ADJUSTMENT CHART

FY21-26 Capital Improvements Program
COUNTY EXECUTIVE RECOMMENDED
January 15, 2020

($ MILLIONS)	6 YEARS	FY21 APPROP (1)	FY22 EXP	FY23 EXP	FY24 EXP	FY25 EXP	FY26 EXP
TAX SUPPORTED CURRENT REVENUES AVAILABLE	497.654	84.842	76.452	95.342	92.264	73.070	75.683
Adjust for Future Inflation *	(12.288)	-	-	(1.498)	(2.861)	(3.355)	(4.573)
SUBTOTAL CURRENT REVENUE FUNDS AVAILABLE FOR ELIGIBLE PROJECTS (after adjustments)	485.366	84.842	76.452	93.844	89.403	69.715	71.110
Less Set Aside: Future Projects	-	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	485.366	84.842	76.452	93.844	89.403	69.715	71.110
GENERAL FUND							
MCPS	(136.892)	(23.080)	(19.677)	(27.657)	(21.602)	(22.438)	(22.438)
MONTGOMERY COLLEGE	(90.504)	(13.084)	(14.384)	(16.434)	(16.434)	(15.084)	(15.084)
M-NCPPC	(26.388)	(4.398)	(4.398)	(4.398)	(4.398)	(4.398)	(4.398)
HOC	(8.000)	(1.750)	(1.250)	(1.250)	(1.250)	(1.250)	(1.250)
TRANSPORTATION	(57.936)	(10.246)	(9.791)	(10.140)	(10.135)	(8.952)	(8.672)
MC GOVERNMENT	(21.173)	(3.541)	(4.276)	(3.364)	(3.314)	(3.364)	(3.314)
SUBTOTAL - GENERAL FUND	(340.893)	(56.099)	(53.776)	(63.243)	(57.133)	(55.486)	(55.156)
MASS TRANSIT FUND	(99.491)	(17.752)	(11.087)	(25.678)	(26.277)	(8.125)	(10.572)
FIRE CONSOLIDATED FUND	(31.282)	(5.041)	(5.639)	(4.473)	(5.543)	(5.654)	(4.932)
PARK FUND	(2.700)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)
ECONOMIC DEVELOPMENT FUND	(11.000)	(5.500)	(5.500)	-	-	-	-
RECREATION	-	-	-	-	-	-	-
SUBTOTAL - OTHER TAX SUPPORTED	(144.473)	(28.743)	(22.676)	(30.601)	(32.270)	(14.229)	(15.954)
TOTAL PROGRAMMED EXPENDITURES	(485.366)	(84.842)	(76.452)	(93.844)	(89.403)	(69.715)	(71.110)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
* Inflation:		1.59%	1.61%	1.60%	1.58%	1.56%	1.54%

Note:
(1) FY21 APPROP equals new appropriation authority. Additional current revenue funded appropriations will require drawing on operating fund balances.

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M-NCPPC Bond Adjustment Chart

FY21-26 Capital Improvements Program
County Executive Recommended
January 15, 2020

($ millions)	6 YEARS	FY21	FY22	FY23	FY24	FY25	FY26
BONDS PLANNED FOR ISSUE Plus PAYGO funded	42.700	8.000	8.000	6.600	6.700	6.700	6.700
Adjust for Future Inflation*	-1.073	0.000	0.000	-0.105	-0.214	-0.322	-0.431
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	41.627	8.000	8.000	6.495	6.486	6.378	6.269
Less Set Aside: Future Projects	0.809 1.9%	0.000	0.000	0.064	0.153	0.247	0.345
TOTAL FUNDS AVAILABLE FOR PROGRAMMIN	-40.819	8.000	8.000	6.431	6.333	6.131	5.924
Programmed P&P Bond Expenditures	-40.819	-8.000	-8.000	-6.431	-6.333	-6.131	-5.924
SUBTOTAL PROGRAMMED EXPENDITURES	-40.819	-8.000	-8.000	-6.431	-6.333	-6.131	-5.924
AVAILABLE OR (GAP) TO BE SOLVED	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NOTES:

See additional information on M-NCPPC Bond Programming Adjustment for Unspent Prior Year Detail Chart

Inflation =		1.59%	1.61%	1.60%	1.58%	1.56%	1.54%

(9)

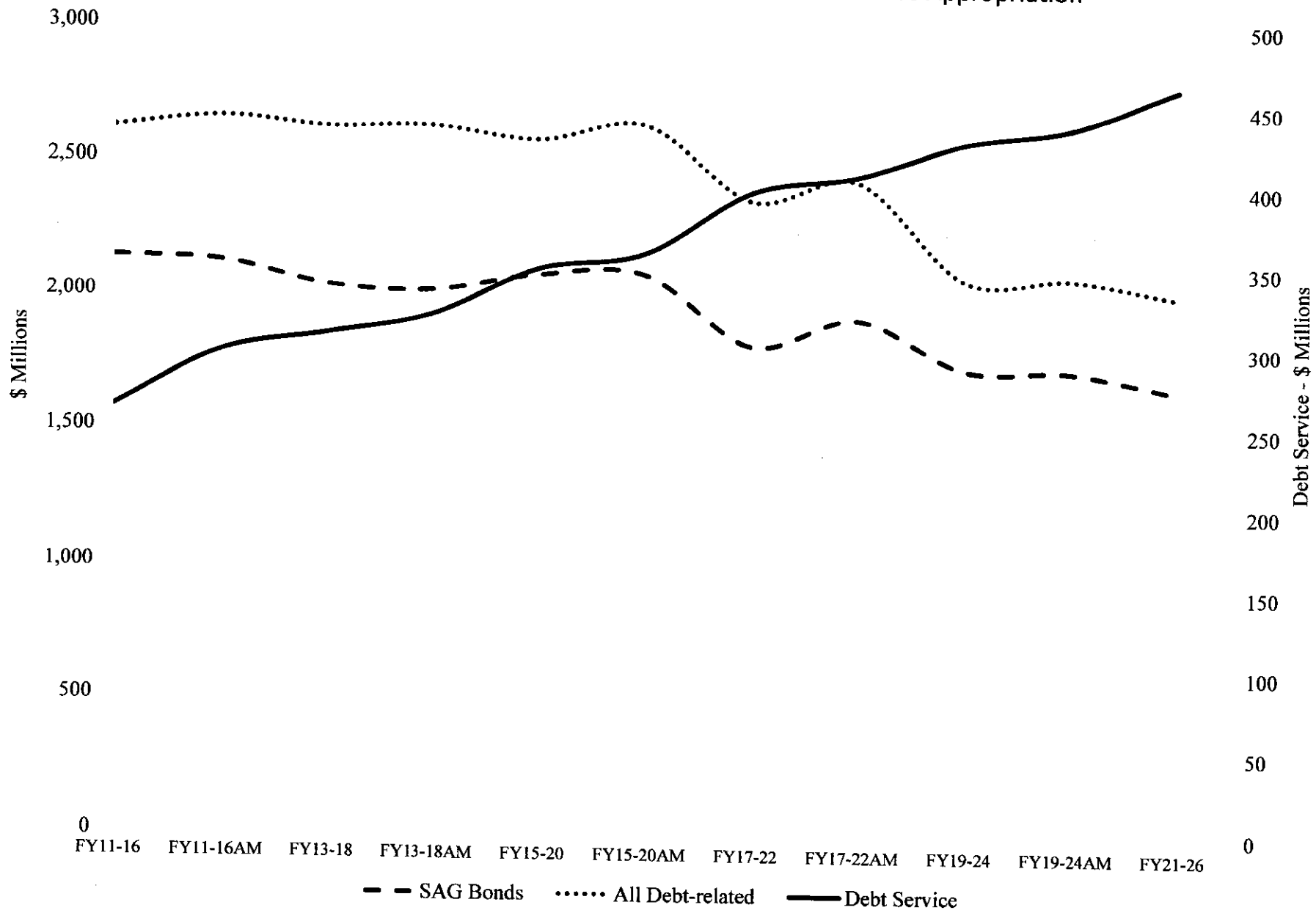
SIX-YEAR CIP
MAJOR FUNDING CATEGORIES

FUNDING SOURCE	FY19-24 AMENDED EXCLUDES WSSC ($000S)	FY21-26 RECOMMENDED EXCLUDES WSSC ($000S)	PERCENT CHANGE	PERCENT OF TOTAL RECOMMENDED
General Obligation Bonds	1,689,807	1,615,992	-4.4%	38.2%
General Paygo	186,000	177,000	-4.8%	4.2%
Agency Bonds	37,430	40,819	9.1%	1.0%
Revenue Bonds	13,582	52,298	285.1%	1.2%
Current Revenue - General Fund	316,087	340,893	7.8%	8.1%
Current Revenue - Other Tax-Supported	141,104	144,473	2.4%	3.4%
Current Revenue - Non-Tax Supported	148,306	132,849	-10.4%	3.1%
Recordation Tax	408,368	467,071	14.4%	11.0%
Recordation Tax - Premium	105,062	119,084	13.3%	2.8%
Intergovernmental Revenues	596,671	549,085	-8.0%	13.0%
Impact Taxes - Transportation	79,655	55,614	-30.2%	1.3%
Impact Taxes - Schools	155,469	111,450	-28.3%	2.6%
Short & Long Term Financing	300,807	199,304	-33.7%	4.7%
Land Sale	15,000	1,900	-87.3%	0.0%
HIF Revolving Program	30,513	97,935	221.0%	2.3%
Contributions	27,225	19,004	-30.2%	0.4%
Other	119,019	103,399	-13.1%	2.4%
TOTAL SIX-YEAR CIP	**4,370,105**	**4,228,170**	**-3.2%**	**100.0%**

WSSC (Note)	FY20-25 APPROVED WSSC ONLY ($000S)	FY21-26 RECOMMENDED WSSC ONLY ($000S)	PERCENT CHANGE	PERCENT OF TOTAL RECOMMENDED
Agency Bonds	1,488,663	1,599,946	7.5%	95.8%
Intergovernmental Revenues	6,045	18,000	197.8%	1.1%
Contributions	7,889	10,236	29.8%	0.6%
Other	34,269	41,582	21.3%	2.5%
TOTAL SIX-YEAR CIP	**1,536,866**	**1,669,764**	**8.6%**	**100.0%**

Note: WSSC is governed by state law and is the only agency for which the County Council adopts an annual CIP.

Ten Year Debt-related CIP Funding Sources and Debt Service Appropriation



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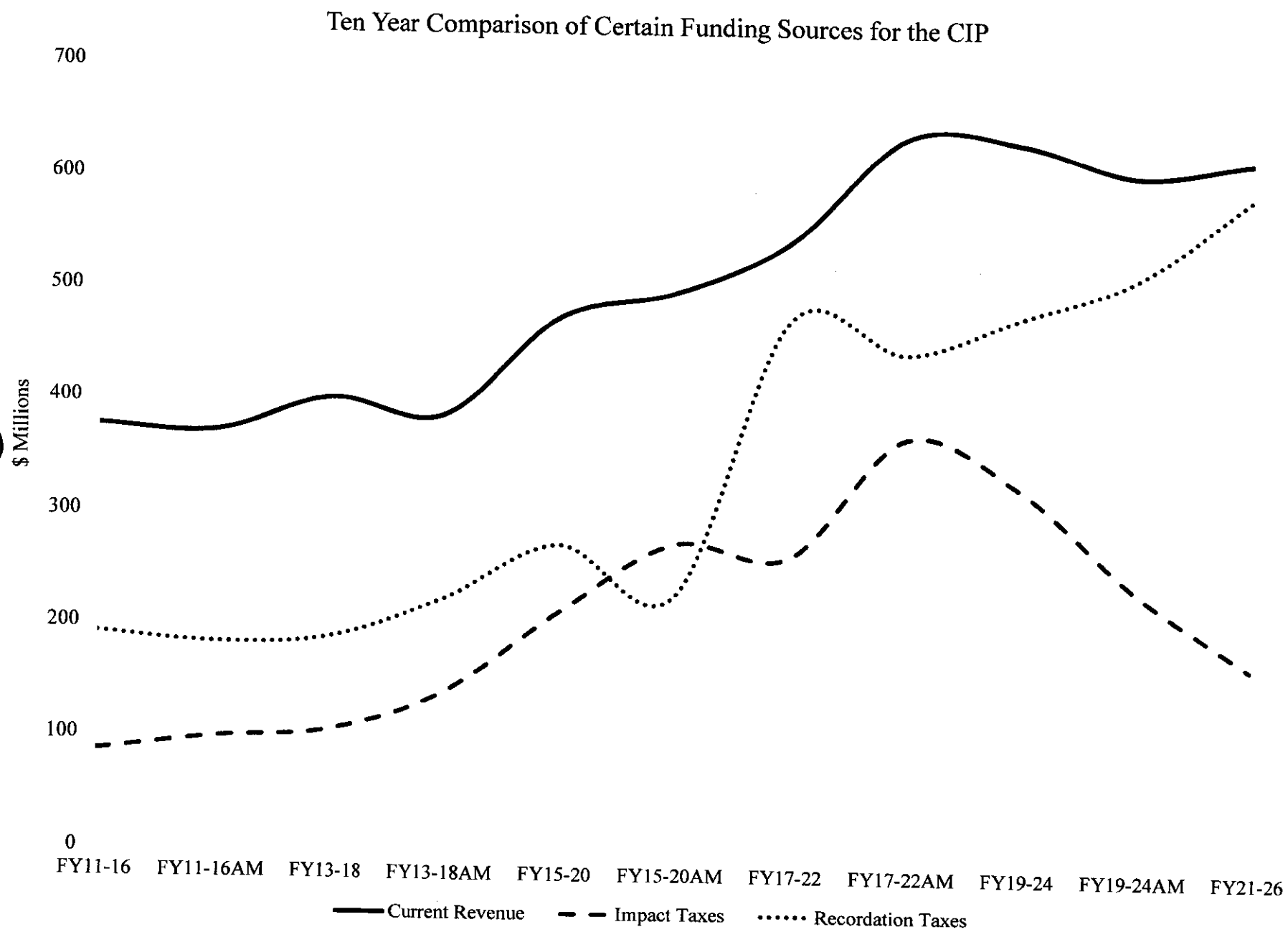
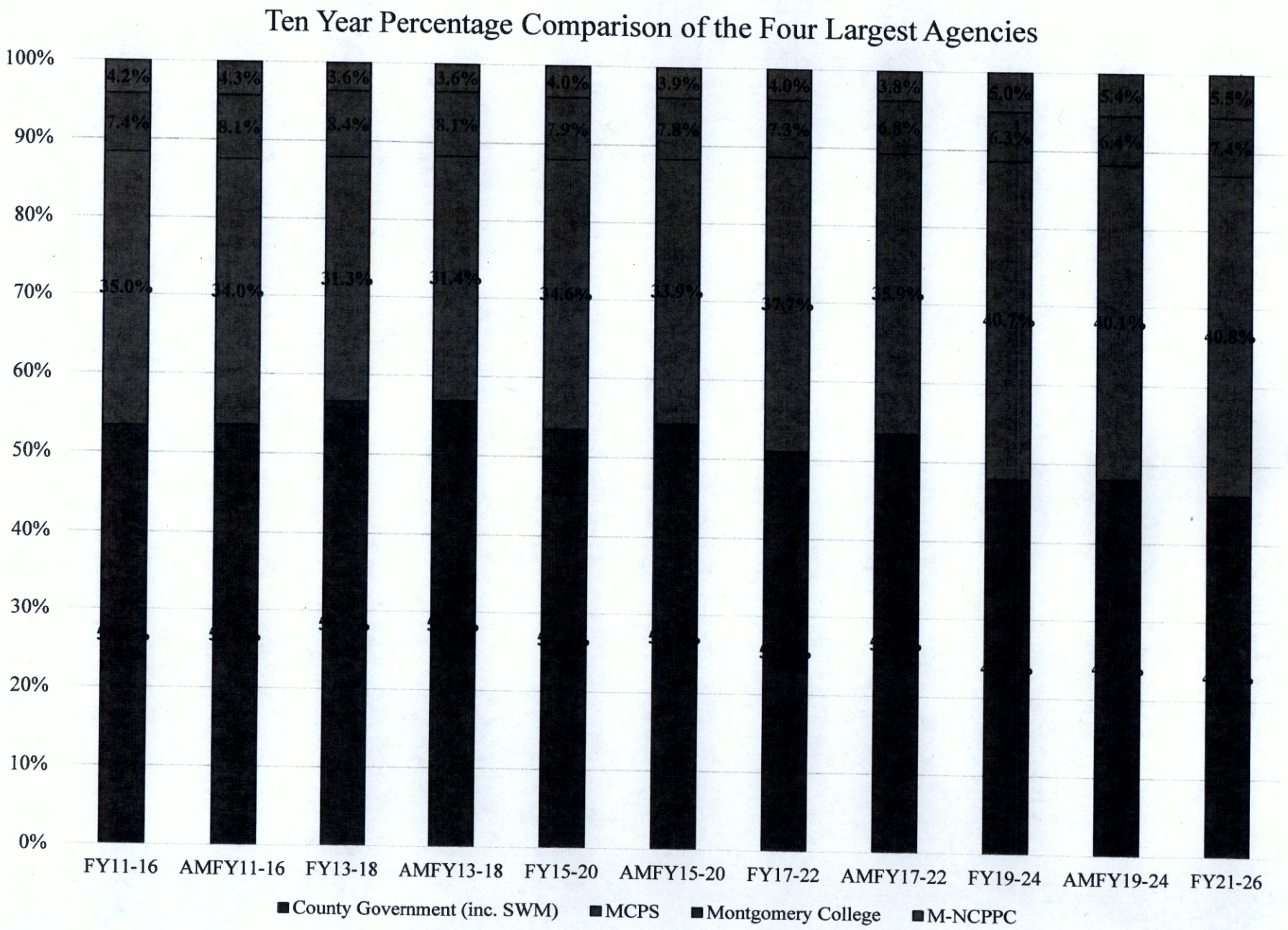

Ten Year Comparison of Certain Funding Sources for the CIP
$ Millions
700
600
500
400
300
200
100
0
FY11-16
FY11-16AM
FY13-18
FY13-18AM
FY15-20
FY15-20AM
FY17-22
FY17-22AM
FY19-24
FY19-24AM
FY21-26
Current Revenue
Impact Taxes
Recordation Taxes


Ten Year Percentage Comparison of the Four Largest Agencies
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
4.2%
7.4%
35.0%
4.3%
8.1%
34.0%
3.6%
8.4%
31.3%
3.6%
8.1%
31.4%
4.0%
7.9%
34.6%
3.9%
7.8%
33.9%
4.0%
7.3%
37.7%
3.8%
6.8%
35.9%
5.0%
6.3%
40.7%
5.4%
6.4%
40.1%
5.5%
7.4%
40.8%
FY11-16
AMFY11-16
FY13-18
AMFY13-18
FY15-20
AMFY15-20
FY17-22
AMFY17-22
FY19-24
AMFY19-24
FY21-26
County Government (inc. SWM)
MCPS
Montgomery College
M-NCPPC