



**Staff:** Gene Smith, Legislative Analyst  
**Purpose:** Review – straw vote expected  
**Keywords:** FY21 Operating Budget

AGENDA ITEM #7  
 May 7, 2020  
**Worksession**

**SUBJECT**

Debt Service

**EXPECTED ATTENDEES**

Mike Coveyou, Department of Finance (Finance)  
 Jackie Carter, Finance

**EXECUTIVE RECOMMENDATION**

FY21 Executive Recommendation	\$436,653,645	0.00 FTE
Increase (Decrease) from FY20	(\$2,570,595) (0.6%)	0.00 FTE 0.0%

**COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET**

FY21 Council Staff Recommendation	<b>\$436,653,645</b>	<b>0.00 FTE</b>
Increase (Decrease) from FY20	\$0 0.0%	0.00 FTE 0.0%
Increase (Decrease) from CE FY21 Rec	\$0 0.0%	0.00 FTE 0.0%

**EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES**

- None.

**CONTINUITY OF SERVICES FROM FY20**

- Included are the following appropriations by category:
  - **\$383,360,960 for General Obligation (G.O.) Bond Debt Expenditures.** This total includes projected expenditures for Bond Anticipation Notes (BANs), the FY21 bond issuance, and \$15.0 million in projected savings from a future bond refunding issuance.
  - **\$4,725,960 for Long-Term Lease Expenditures.**
  - **\$20,700,100 for Short-Term Lease Expenditures.**
  - **\$28,175,790 for Other Long-Term Debt.**
- Details about these expenditures for FY21 and the FY22-26 projections are on ©7-8.

**POTENTIAL REDUCTIONS**

- Finance staff anticipated closing on a G.O. bond refunding issuance in April 2020. At that time, it was estimated that approximately \$20.2 million in savings would be achieved in FY21.
  - Finance staff was unable to close due to disruptions from the health crisis.

- Finance staff continues to monitor the market to determine the most appropriate time to close on this refunding issuance to maximize the County's savings.
- The \$15 million in savings budgeted in FY21 was 74.2% of the savings projected in March. Actual savings will depend on the future market.

## **POTENTIAL ITEMS RELATED TO COVID-19**

- None

### **This report contains:**

Executive recommended FY21 budget

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# Debt Service

## RECOMMENDED FY21 BUDGET

\$436,653,645

## 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 and Water Quality Protection bonds are also included.

## BUDGET OVERVIEW

The total recommended FY21 Operating Budget for Debt Service is \$436,910,760 a decrease of \$2,313,480 or 0.5 percent from the FY20 approved budget of \$439,224,240. This amount excludes \$52,050 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 38.2 percent of the County's capital expenditures (excluding WSSC) for the six years of the 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 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 4, 2020, the County Council confirmed the guidelines set on October 1, 2019.

### Debt Service Program

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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 FY21. 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.

The County issued Series 2017D Bonds to "crossover-refund" the outstanding Series 2009 Build America Bonds. Prior to the crossover date of November 1, 2019, funds will be held by a trustee to pay debt service on the refunding bonds.

#### FY20 Estimated Debt Service

FY20 estimated general obligation debt service, lease and other long-term debt expenditure requirements for tax-supported funds total \$415.2 million which is lower than the budget of \$423.2 million primarily due to deferrals in some lease financing, and actual interest rates that were lower than budget.

#### FY21 Recommended Debt Service Budget

The FY21 Debt Service budget is predicated on a base of existing debt service requirements from past bond issues (through November 2019) plus the following:

An anticipated Spring 2020 (FY20) General Obligation Bond refunding debt issue approximating \$1.1 billion, for debt service savings

A fall 2020 (FY21) issue of \$320.0 million at an interest cost of 5.0 percent for 20 years with even principal payments (fall bond issues are expected to continue through FY26).

Interest expense based on an anticipated average BANs/commercial paper balance of \$350.0 million during FY21.

- 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 FY21 Debt Service requirement for tax supported funds of \$415.2 million, which is a 1.9 percent decrease from the FY20 budget of \$423.2 million. The General Fund appropriation requirement is \$354.6 million, or 2.2 percent more than the budgeted FY20 amount of \$344.7 million. A schedule detailing debt service principal and interest by major fund is included at the end of the chapter.

#### Public Services Program

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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 2020 (FY21) issue. Projected interest rates for bond issues for FY21 through FY26 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 \$415.2 million in FY21 to \$465.4 million by FY26 with the General Fund revenue requirement growing from \$357.6 million in FY21 to \$398.0 million by FY26.

## 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 Recommended FY21-26 CIP. Annual bond-funding requirements (on which future debt issue projections are based) are 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 Recommended FY21-26 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's January 15, 2020 proposals for the Recommended FY21-26 CIP is included at the end of this section.

### Debt Limit

The County's outstanding general obligation debt totals \$3,019,425,000 as of June 30, 2019. 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, 2019, is \$12,248,788,864 based upon the assessed valuation \$193,818,900,000 for all real property and \$4,131,032,429 for personal property. The County's outstanding general obligation debt of \$3,019,425,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.82 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

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Program Direct Debt for Fiscal Year 2019 (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 FY21 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 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 and Site II land 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. 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 Conversation 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.

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.

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## 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 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.

## 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 240.777.2772 for more information regarding this department's operating budget.

## BUDGET SUMMARY

	Actual FY19	Budget FY20	Estimate FY20	Recommended FY21	%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	383,465,482	397,517,180	392,079,449	383,360,960	-3.6 %
Debt Service Other	24,311,682	25,721,460	23,167,760	31,842,250	23.8 %
<b>Debt Service Expenditures</b>	<b>407,777,164</b>	<b>423,238,640</b>	<b>415,247,209</b>	<b>415,203,210</b>	<b>-1.9 %</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	5,464,255	3,864,760	3,940,300	252,930	-93.5 %
Investment Income	2,715,106	0	0	0	—
Miscellaneous Revenues	5,409,797	3,446,260	3,995,716	450,000	-86.9 %
Premium on General Obligation Bonds	20,400,280	14,281,670	14,745,670	88,130	-99.4 %
<b>Debt Service Revenues</b>	<b>33,989,438</b>	<b>21,592,690</b>	<b>22,681,686</b>	<b>791,060</b>	<b>-96.3 %</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	14,836,923	15,985,600	15,773,100	21,450,435	34.2 %
<b>Debt Service - Non-Tax Supported Expenditures</b>	<b>14,836,923</b>	<b>15,985,600</b>	<b>15,773,100</b>	<b>21,450,435</b>	<b>34.2 %</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>					
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>422,614,087</b>	<b>439,224,240</b>	<b>431,020,309</b>	<b>436,653,645</b>	<b>-0.6 %</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>
<b>Total Revenues</b>	<b>33,989,438</b>	<b>21,592,690</b>	<b>22,681,686</b>	<b>791,060</b>	<b>-96.3 %</b>



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

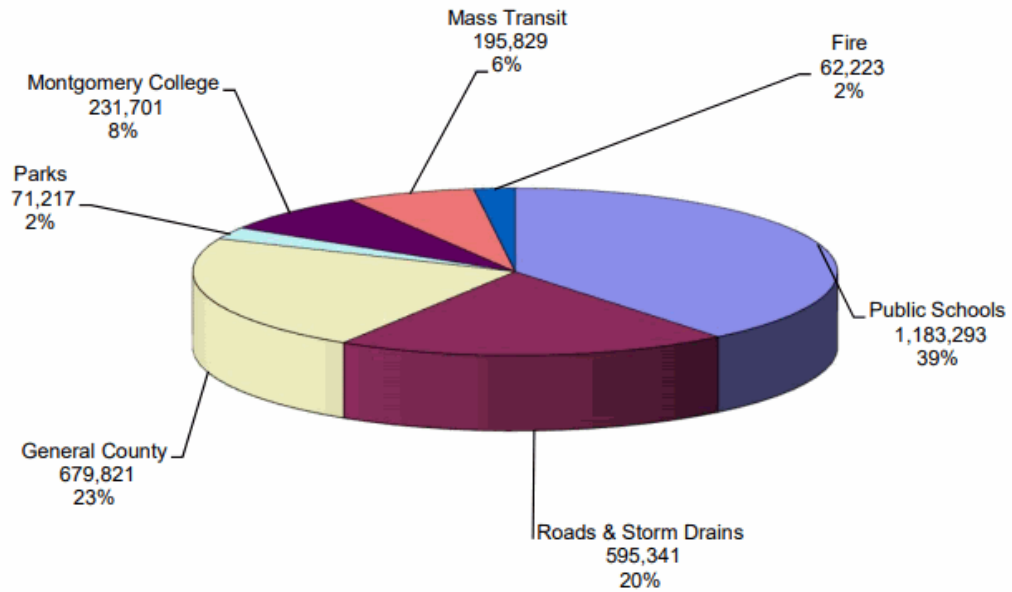
	Actual FY18	Actual FY19	Budget FY20	Estimated FY20	Recommended FY21	% Chg App/Rec	Rec % GO Bonds
<b>GO BOND DEBT SERVICE EXPENDITURES</b>							
General County	61,573,861	68,388,151	71,907,760	71,718,482	74,950,670		19.2%
Roads & Storm Drains	74,528,705	77,455,210	79,373,220	78,772,642	80,404,050		20.8%
Public Housing	60,055	58,334	58,330	59,326	57,290		0.0%
Parks	8,984,883	9,327,807	9,754,070	9,648,988	9,661,970		2.5%
Public Schools	150,398,822	154,327,680	154,898,510	153,989,990	156,380,400		40.1%
Montgomery College	24,610,342	26,321,750	27,855,450	27,933,739	28,741,330		7.4%
Bond Anticipation Notes/Commercial Paper	3,672,862	5,249,633	8,062,500	8,000,000	5,100,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,269,555	2,418,001	2,600,000	2,500,000	2,450,000		
Cost of Issuance	940,968	776,309	1,071,200	1,000,000	1,025,000		
GO Bond Refunding (May 2020)					(15,000,000)		
<b>Total General Fund</b>	<b>327,040,083</b>	<b>344,320,875</b>	<b>355,581,040</b>	<b>351,600,147</b>	<b>343,770,710</b>	<b>-3.3%</b>	<b>89.8%</b>
Fire Tax District Fund	7,524,661	7,819,545	8,005,050	7,880,832	8,355,790		2.1%
Mass Transit Fund	20,378,554	21,488,983	22,400,120	21,746,823	20,686,960		5.3%
Recreation Fund	9,320,281	9,856,079	11,530,970	10,851,647	10,547,570		2.7%
<b>Total Tax Supported Other Funds</b>	<b>37,223,496</b>	<b>39,144,607</b>	<b>41,936,140</b>	<b>40,479,302</b>	<b>39,580,250</b>	<b>-5.6%</b>	<b>10.2%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>364,263,579</b>	<b>383,465,482</b>	<b>397,517,180</b>	<b>392,079,449</b>	<b>383,360,960</b>	<b>-3.6%</b>	<b>100.0%</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>364,263,579</b>	<b>383,465,482</b>	<b>397,517,180</b>	<b>392,079,449</b>	<b>383,360,960</b>	<b>-3.6%</b>	<b>100.0%</b>
<b>LONG-TERM LEASE EXPENDITURES</b>							
Revenue Authority - Conference Center	986,634	989,434	991,850	991,850	987,710		
Revenue Authority - HHS Piccard Drive	-	-	-	-	-		
Revenue Authority - Recreation Pools	1,526,249	1,525,690	-	-	-		
Revenue Authority - Crossvines Project - Tax Supported	-	-	-	-	250,000		
Fire and Rescue Equipment	3,717,900	2,090,843	2,018,250	618,250	3,118,250		
Fleet Equipment	-	-	190,000	-	370,000		
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>6,230,782</b>	<b>4,605,868</b>	<b>3,200,100</b>	<b>1,610,100</b>	<b>4,725,960</b>	<b>47.7%</b>	
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>							
Technology Modernization Project	5,675,821	4,661,384	3,647,100	3,647,100	3,647,100		
Libraries System Modernization	96,955	96,955	97,000	97,000	97,000		
Corrections Security System	-	80,901	162,000	162,000	162,000		
Digital Evidence Data Storage	-	-	-	-	210,100		
Ride On Buses	5,276,084	6,640,713	8,364,300	6,889,100	11,773,900		
Public Safety System Modernization	988,120	3,564,498	3,566,300	3,566,300	2,823,500		
Fire Breathing Apparatus	-	-	1,472,700	1,472,700	1,472,700		
Fuel Management System	631,522	829,410	829,600	829,600	513,800		
Fire and Rescue Equipment	-	-	-	-	-		
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>12,668,502</b>	<b>15,873,861</b>	<b>18,139,000</b>	<b>16,663,800</b>	<b>20,700,100</b>	<b>14.1%</b>	
<b>OTHER LONG-TERM DEBT</b>							
Silver Spring Music Venue - Tax supported	290,805	291,005	291,000	291,000	294,100		
Incubators - Tax Supported	-	770,453	928,000	928,000	931,500		
Site II Acquisition - Tax supported	400,000	1,238,855	1,238,900	1,238,900	1,238,900		
Rockville Core - Tax Supported	-	-	-	-	1,669,000		
Energy Performance Leases QECBs - Tax supported	328,126	727,878	659,970	1,082,970	860,270		
Energy Performance Leases Other - Tax supported	466,583	803,764	1,264,490	1,352,990	1,622,420		
Wheaton Redevelopment - Non-Tax supported	-	-	-	-	2,613,500		
MHI-HUD Loan - Non-Tax supported	59,021	56,727	54,400	54,400	52,050		
Water Quality Protection Charge Bonds - Non-Tax supported	6,100,007	6,148,588	6,361,900	6,149,400	8,172,350		
MHI - Property Acquisition Fund - Non-Tax supported	7,206,058	8,688,335	9,623,700	9,623,700	10,921,700		
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>14,848,600</b>	<b>18,725,604</b>	<b>20,422,360</b>	<b>20,721,360</b>	<b>28,175,790</b>	<b>38.0%</b>	
<b>DEBT SERVICE EXPENDITURES</b>							
Tax Supported	384,646,377	407,777,165	423,238,640	415,247,209	415,203,210	-1.9%	
Non-Tax Supported - Other Long-term Debt	13,365,086	14,893,649	16,040,000	15,827,500	21,759,600		
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>398,011,463</b>	<b>422,670,814</b>	<b>439,278,640</b>	<b>431,074,709</b>	<b>436,962,810</b>	<b>-0.5%</b>	
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>							
General Funds	302,826,842	312,125,488	335,107,250	330,591,927	343,682,580		
BAAs Crossover Funds with Escrow Agent	-	5,179,100	2,589,550	-	2,589,550		
Other Interest: Installment Notes, Interest & Penalties	1,272,378	2,715,106	-	-	-		
Federal Subsidy on General Obligation Bonds	5,372,848	5,188,898	3,602,570	3,673,000	-		
Premium on General Obligation Bonds	17,973,789	20,400,280	14,281,670	14,745,670	88,130		
<b>Total General Fund Sources</b>	<b>327,445,837</b>	<b>345,608,872</b>	<b>355,581,040</b>	<b>351,600,147</b>	<b>343,770,710</b>		
Fire Tax District Funds	7,524,661	7,598,125	8,005,050	7,880,832	8,355,790		
Mass Transit Fund	19,739,278	20,527,360	22,400,120	21,746,823	20,686,960		
Recreation Fund	8,914,525	9,310,389	11,530,970	10,851,647	10,547,570		
<b>Total Other Funding Sources</b>	<b>36,178,464</b>	<b>37,435,804</b>	<b>41,936,140</b>	<b>40,479,302</b>	<b>39,580,250</b>		
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>363,624,301</b>	<b>383,042,775</b>	<b>397,517,180</b>	<b>392,079,449</b>	<b>383,360,960</b>		
<b>NON GO BOND FUNDING SOURCES</b>							
General Funds	9,527,325	13,139,780	11,727,710	11,684,644	13,890,670		
MHI Fund - HUD Loan	59,021	56,727	54,400	54,400	52,050		
Water Quality Protection Fund	6,100,007	6,148,588	6,361,900	6,275,856	8,172,350		
MHI - Property Acquisition Fund	7,206,058	8,688,335	9,623,700	9,623,700	10,921,700		
Non-tax funds - Wheaton Redevelopment	-	-	-	-	2,613,500		
Motor Pool Fund	-	-	190,000	-	370,000		
Mass Transit Fund	5,276,084	6,640,713	8,364,300	6,889,100	11,773,900		
Recreation Fund	1,526,249	1,525,690	-	-	-		
Fire Tax District Fund	4,349,422	2,920,253	4,320,550	2,920,550	5,104,750		
Federal Subsidy - QECBs	283,802	277,357	262,190	267,300	252,930		
Capitalized Interest - Energy Performance Leases	59,194	90,107	47,300	47,300	-		
Funds Held by Trustee - Energy Performance Leases	-	-	-	-	423,000		
ESCO Pepco and Utility Rebates	-	140,590	359,410	359,410	-		
Developer Payments - Site II	-	-	450,000	450,000	450,000		
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>34,387,162</b>	<b>39,628,039</b>	<b>41,761,460</b>	<b>38,995,260</b>	<b>53,601,850</b>		
<b>TOTAL FUNDING SOURCES</b>	<b>398,011,463</b>	<b>422,670,814</b>	<b>439,278,640</b>	<b>431,074,709</b>	<b>436,962,810</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	320,000,000		
Council SAG Approved Bond Funded Expenditures	340,000,000	340,000,000	320,000,000	320,000,000	320,000,000		

<b>DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG &amp; SHORT TERM LEASES AND OTHER DEBT</b>						
	Recommended	Projected	Projected	Projected	Projected	Projected
	FY21	FY22	FY23	FY24	FY25	FY26
<b>GO BOND DEBT SERVICE EXPENDITURES</b>						
General County	74,950,670	73,800,420	73,157,800	79,333,310	80,068,790	80,381,010
Roads & Storm Drains	80,404,050	85,693,480	89,088,180	90,836,540	92,097,770	96,799,590
Public Housing	57,290	58,320	58,330	51,180	18,100	54,340
Parks	9,661,970	10,243,780	10,536,980	11,572,590	11,829,620	12,388,410
Public Schools	156,380,400	159,333,840	162,186,480	157,227,410	162,062,840	162,782,420
Montgomery College	28,741,330	28,533,820	29,518,210	31,168,430	32,200,950	31,947,710
Bond Anticipation Notes/Commercial Paper	5,100,000	4,800,000	5,000,000	5,300,000	5,500,000	6,000,000
Bond Anticipation Notes/Liquidity & Remarketing	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000
Cost of Issuance	1,025,000	1,100,000	1,130,000	1,160,000	1,190,000	1,200,000
GO Bond Refunding (May 2020)	(15,000,000)	(10,000,000)	(10,000,000)	(8,500,000)	(2,500,000)	(1,500,000)
<b>Total General Fund</b>	<b>343,770,710</b>	<b>355,813,660</b>	<b>363,123,980</b>	<b>370,399,460</b>	<b>384,918,070</b>	<b>392,503,480</b>
Fire Tax District Fund	8,355,790	9,107,290	9,529,180	11,089,080	11,575,770	12,102,480
Mass Transit Fund	20,686,890	22,735,890	24,125,750	22,380,110	21,413,890	21,279,350
Recreation Fund	10,547,570	12,750,360	14,715,110	16,857,650	16,913,810	17,133,080
<b>Total Tax Supported Other Funds</b>	<b>39,590,250</b>	<b>44,593,540</b>	<b>48,370,040</b>	<b>50,106,840</b>	<b>49,903,470</b>	<b>50,514,910</b>
<b>TOTAL TAX SUPPORTED</b>	<b>383,360,960</b>	<b>400,407,200</b>	<b>411,494,020</b>	<b>420,506,300</b>	<b>434,821,540</b>	<b>443,018,390</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>383,360,960</b>	<b>400,407,200</b>	<b>411,494,020</b>	<b>420,506,300</b>	<b>434,821,540</b>	<b>443,018,390</b>
<b>LONG-TERM LEASE EXPENDITURES</b>						
Revenue Authority - Conference Center	987,710	991,000	991,600	-	-	-
Fire and Rescue Equipment	3,118,250	4,218,250	4,618,250	5,118,250	5,518,250	5,300,000
Fleet Equipment	370,000	370,000	370,000	370,000	370,000	370,000
Revenue Authority - Crossvines Project	250,000	798,000	797,250	800,750	798,250	800,000
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>4,725,960</b>	<b>6,377,250</b>	<b>6,777,100</b>	<b>6,289,000</b>	<b>6,686,500</b>	<b>6,470,000</b>
<b>SHORT-TERM LEASE EXPENDITURES / FINANCING</b>						
Technology Modernization Project	3,647,100	3,647,100	3,647,100	1,823,500	-	-
Libraries System Modernization	97,000	48,500	-	-	-	-
Corrections Security System	162,000	162,000	162,000	162,000	162,000	81,000
Digital Evidence Data Storage	210,100	261,900	261,900	261,900	261,900	51,800
Ride On Buses	11,773,900	8,947,700	7,921,900	7,208,600	6,495,300	5,129,000
Intelligent Transit System	-	1,960,000	1,960,000	1,960,000	1,960,000	1,960,000
Public Safety System Modernization	2,823,500	3,017,300	3,744,100	1,166,000	1,166,000	955,000
Fire Breathing Apparatus	1,472,700	1,472,700	1,472,700	1,472,700	1,472,700	-
Fuel Management System	513,800	198,000	198,000	198,000	198,000	-
Transit System Radios	-	370,000	370,000	370,000	370,000	370,000
Police Body Armor	-	222,000	222,000	222,000	222,000	222,000
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>20,700,100</b>	<b>20,307,200</b>	<b>19,959,700</b>	<b>14,844,700</b>	<b>12,307,900</b>	<b>8,768,800</b>
<b>OTHER LONG-TERM DEBT</b>						
Silver Spring Music Venue - Tax supported	294,100	292,000	294,100	291,000	292,000	292,500
Site II Acquisition - Tax supported	1,238,900	1,238,900	1,238,900	1,238,900	1,238,900	1,238,900
Incubators - Tax Supported	931,500	936,720	4,244,500	-	-	-
Rockville Core - Tax Supported	1,669,000	1,667,500	1,669,500	1,664,750	1,668,500	1,665,250
Energy Performance Leases QECBs - Tax supported	660,270	660,540	660,820	701,140	695,550	654,220
Energy Performance Leases Other - Tax supported	1,622,420	1,674,150	1,716,210	1,747,470	1,782,290	1,818,100
Wheaton Redevelopment - Non-Tax Supported	2,613,500	2,614,250	2,612,500	2,613,250	2,611,250	2,611,500
MHI-HUD Loan - Non-Tax supported	52,050	49,650	47,230	54,510	-	-
Water Quality Protection Charge Bonds - Non-Tax supported	8,172,350	8,612,800	9,050,600	9,120,150	9,126,850	9,124,550
MHI - Property Acquisition Fund - Non-Tax supported	10,921,700	11,918,400	13,418,500	15,022,900	16,616,800	18,224,200
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>28,175,790</b>	<b>29,684,910</b>	<b>34,952,860</b>	<b>32,454,070</b>	<b>34,032,140</b>	<b>35,629,220</b>
<b>DEBT SERVICE EXPENDITURES</b>						
Tax Supported	415,203,210	433,561,460	448,054,850	447,283,260	459,493,180	463,926,160
Non-Tax Supported - Other Long-term Debt	21,759,600	23,195,100	25,128,830	26,810,810	28,354,900	29,960,250
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>436,962,810</b>	<b>456,756,560</b>	<b>473,183,680</b>	<b>474,094,070</b>	<b>487,848,080</b>	<b>493,886,410</b>
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>						
General Funds	343,682,580	355,813,660	363,123,980	370,399,460	384,918,070	392,503,480
Premium on General Obligation Bonds	88,130	-	-	-	-	-
<b>Total General Fund Sources</b>	<b>343,770,710</b>	<b>355,813,660</b>	<b>363,123,980</b>	<b>370,399,460</b>	<b>384,918,070</b>	<b>392,503,480</b>
Fire Tax District Fund	8,355,790	9,107,290	9,529,180	11,089,080	11,575,770	12,102,480
Mass Transit Fund	20,686,890	22,735,890	24,125,750	22,380,110	21,413,890	21,279,350
Recreation Fund	10,547,570	12,750,360	14,715,110	16,857,650	16,913,810	17,133,080
<b>Total Other Funding Sources</b>	<b>39,590,250</b>	<b>44,593,540</b>	<b>48,370,040</b>	<b>50,106,840</b>	<b>49,903,470</b>	<b>50,514,910</b>
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>383,360,960</b>	<b>400,407,200</b>	<b>411,494,020</b>	<b>420,506,300</b>	<b>434,821,540</b>	<b>443,018,390</b>
<b>NON GO BOND FUNDING SOURCES</b>						
General Funds	13,890,670	14,924,260	18,678,720	8,070,090	6,133,660	5,536,650
MHI Fund - HUD Loan	52,050	49,650	47,230	54,510	0	-
Water Quality Protection Fund	8,172,350	8,612,800	9,050,600	9,120,150	9,126,850	9,124,550
MHI - Property Acquisition Fund	10,921,700	11,918,400	13,418,500	15,022,900	16,616,800	18,224,200
Non-tax funds - Wheaton Redevelopment	2,613,500	2,614,250	2,612,500	2,613,250	2,611,250	2,611,500
Motor Pool Fund	370,000	370,000	370,000	370,000	370,000	370,000
Mass Transit Fund	11,773,900	11,277,700	10,251,900	9,538,600	8,825,300	7,459,000
Fire Tax District Fund	5,104,750	5,888,950	6,288,950	6,788,950	7,188,950	5,300,000
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
Developer Payments - Site II	450,000	450,000	450,000	1,238,900	1,238,900	1,238,900
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>53,601,850</b>	<b>56,349,360</b>	<b>61,689,660</b>	<b>53,587,770</b>	<b>53,026,540</b>	<b>50,888,020</b>
<b>TOTAL FUNDING SOURCES</b>	<b>436,962,810</b>	<b>456,756,560</b>	<b>473,183,680</b>	<b>474,094,070</b>	<b>487,848,080</b>	<b>493,886,410</b>
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>						
Estimated Bond Sales	320,000,000	310,000,000	290,000,000	290,000,000	280,000,000	280,000,000
Council SAG Approved Bond Funded Expenditures	320,000,000	310,000,000	290,000,000	290,000,000	280,000,000	280,000,000
<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>

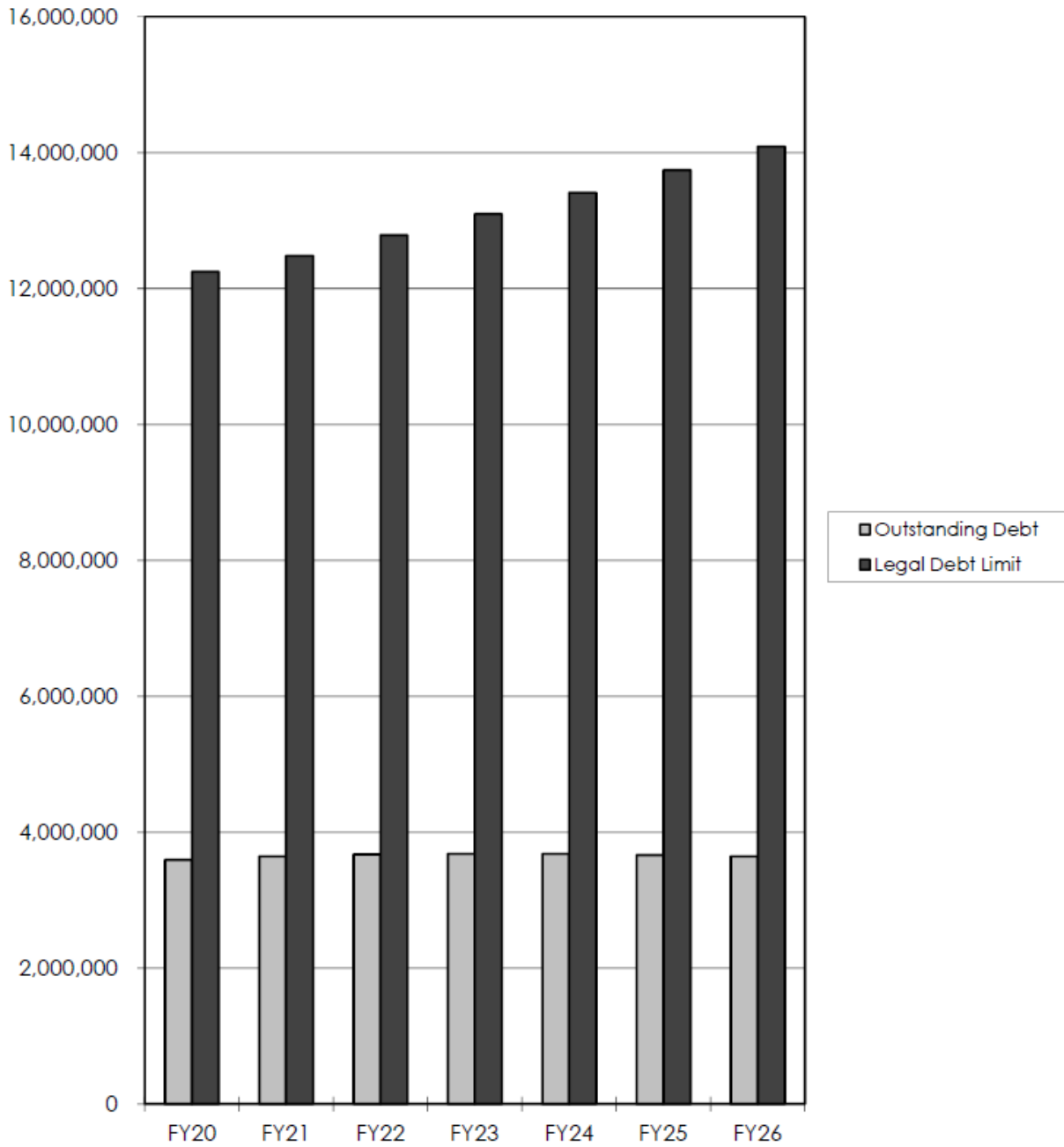
**Projected Debt Obligations  
Schedule of Principal & Interest  
FY21 Recommended Budget**

<b>FUND</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Debt Service Fund	280,099,101	156,673,025	436,772,124
Liquor Control (Section 65)	5,452,856	3,793,814	9,246,670
Montgomery Housing Initiative	43,000	9,050	52,050
Bethesda Parking Lot District (Section 46)	3,755,000	879,250	4,634,250
<b>Total</b>	<b>289,349,956</b>	<b>161,355,139</b>	<b>450,705,094</b>

**General Obligation Bonds Outstanding by Bond Category  
(\$000s)  
Total \$3,019,425 as of June 30, 2019**



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



**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
<b>BONDS PLANNED FOR ISSUE</b>	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)
<b>SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)</b>	1,899.313	352.000	341.000	313.976	309.093	293.850	289.394
<b>Less Set Aside: Future Projects</b>	161.621	15.317	16.841	22.009	27.562	31.270	48.622
	8.51%						
<b>TOTAL FUNDS AVAILABLE FOR PROGRAMMING</b>	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)	(56.908)	(68.636)
Programming Adjustment - Unspent Prior Years*	55.300	33.002	22.298				-
	-						
<b>SUBTOTAL PROGRAMMED EXPENDITURES</b>	(1,737.692)	(336.683)	(324.159)	(291.967)	(281.531)	(262.580)	(240.772)
<b>AVAILABLE OR (GAP) TO BE SOLVED</b>	-	-	-	-	-	-	-
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%

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**DEBT CAPACITY ANALYSIS**

**FY21-26 CAPITAL IMPROVEMENTS PROGRAM**

March 16, 2020

**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	290,000	290,000	280,000	280,000
2 GO Debt/Assessed Value	1.75%	1.78%	1.75%	1.71%	1.67%	1.62%	1.57%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	<b>11.54%</b>	<b>11.28%</b>	<b>11.47%</b>	<b>11.57%</b>	<b>11.27%</b>	<b>11.32%</b>	<b>11.21%</b>
4 \$ Debt/Capita	3,255	3,328	3,329	3,305	3,274	3,227	3,174
5 \$ Real Debt/Capita (FY20=100%)	3,255	3,276	3,225	3,151	3,073	2,982	2,889
6 Capita Debt/Capita Income	3.46%	3.41%	3.30%	3.16%	3.03%	2.88%	2.72%
7 Payout Ratio	70.19%	71.03%	71.81%	72.67%	73.47%	74.27%	74.68%
8 Total Debt Outstanding (\$000s)	3,543,810	3,594,365	3,625,790	3,628,285	3,623,720	3,600,570	3,569,335
9 Real Debt Outstanding (FY20=100%)	3,543,810	3,538,154	3,512,370	3,459,553	3,401,497	3,327,802	3,248,751
10 Note: OP/PSP Growth Assumption (2)		2.6%	2.7%	2.6%	2.8%	2.6%	2.4%

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 FY20 approved budget to FY21 budget for FY21 and budget to budget for FY22-26.