



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: Final action – vote expected
Keywords: Debt

AGENDA ITEM #4C
April 13, 2021
Action

SUBJECT

Resolution related to refunding special obligation debt financed by the Bethesda Parking Lot District revenues

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Executive requests that the Council approve the subject resolution to refinance certain revenue bond series supported by the Bethesda Parking Lot District (PLD) revenues (see ©1-8). Executive staff estimate that the County will save about \$1.2 million on a net present value at 4.7% of refunded par during the next twelve years. The County typically refinances bond series in low interest rate environments or when sufficient savings can be accrued.

SUMMARY OF KEY DISCUSSION POINTS

- The Department of Finance intends to refinance three bond series that are currently supported by the Bethesda PLD revenues. The total estimated principal of the refinanced bonds is \$26.1 million.
- The Council's approval of the subject resolution will allow the County to save about \$1.2 million net present value during the next twelve years.
- The Council's approval of the subject resolution does not constitute a pledge of the full faith and credit and unlimited taxing power of the County. The subject resolution does state that the County covenants to ensure that the Bethesda PLD has sufficient resources to pay the outstanding bonds. Currently, the PLD is primarily supported by parking fees and fines.

This report contains:

Executive memorandum
Proposed resolution

© #1-3
© #4-8

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OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

March 29, 2021

TO: Tom Hucker, Council President

FROM: Marc Elrich County Executive

SUBJECT: Resolution Related to Refunding Special Obligation Debt Financed by the Bethesda Parking Lot District Revenues

I am transmitting the attached resolution to authorize the refunding of all outstanding Bethesda Parking Lot (PLD) revenue debt approximating \$25.5 million to achieve debt service savings. The County plans to refund the outstanding Bethesda PLD Series 2012A and 2012B bonds and the 2015 Sun Trust now Trust loan, with either a direct bank loan placement or a public bond sale.

We are requesting approval of the resolution by the County Council so that we can refund the debt as soon as possible. Our Financial Advisor estimates that the refunding could result in significant future debt service savings estimated on a net present value basis at approximately \$1.2 million or 4.7% of refunded par over the next 12 years. Delaying the issue will make the County more vulnerable to interest rate risk which could reduce these savings.

The Bonds will be special obligations of the County, secured by the Bethesda PLD revenues, and will not constitute a pledge of the full faith and credit and unlimited taxing power of the County.

I am requesting that the County Council introduce the attached resolution on April 6th with consideration for approval on April 13th.

If you have any questions, please contact Michael Coveyou at extension 7-8870.

Attachments

cc: Christopher Conklin, Director
Jennifer Bryant, Director,

DOT



OFFICE OF THE COUNTY ATTORNEY

Isiah Leggett
County Executive

Marc P. Hansen
County Attorney

MEMORANDUM

TO: Isiah Leggett, County Executive
Offices of the County Executive

FROM: Scott R. Foncannon 
Associate County Attorney

VIA: Marc P. Hansen 
County Attorney

DATE: May 30, 2014

RE: Bond Orders – Exemption from County Attorney Approval

Montgomery County has the authority to issue bonds or other debt obligations (bonds) to finance public facilities under Article III and IV of Chapter 20 of the Montgomery County Code and Section 9-212 of the Local Government Article of the Annotated Code of Maryland. These provisions establish the actions that must be taken to issue bonds, all of which are initiated by an Executive Order of the County Executive.

The procedure for the issuance and maintenance of Executive Orders appears in Administrative Procedure 1-3, Section 4.1:

All Executive Orders must be approved as to form and legality by the County Attorney. Standard Executive Orders which address routine subject matter... may be exempted from County Attorney approval provided that the text for such orders has been approved by the County Attorney and that approval is on file with the Office of the County Executive.

In order to authorize the sale of bonds, the Department of Finance routinely submits Executive Orders, also known as "Bond Orders," to the County Executive for signature. The Bond Orders are prepared by the County's bond counsel who is engaged by the County Attorney, under Section 213 of the Montgomery County Charter. On bond-related matters the County's bond counsel is authorized to act as the attorney for the County. Approval of the Bond Orders,

Isiah Leggett, County Executive
May 30, 2014
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as to form and legality, by the County's bond counsel satisfies the requirement of Administrative Procedure 1-3 and further review and signature of the Bond Orders by the County Attorney, as to form and legality is unnecessary.

A copy of this approval should be kept on file in the Office of the County Executive. If you have any questions or need additional information about this matter, please contact me at extension 7-6795.

cc: Joseph Beach, Director, Department of Finance

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Council President at the Request of the County Executive

SUBJECT: To authorize Montgomery County, pursuant to and in accordance with Chapter 20 of the Montgomery County Code and Sections 10-203 and 19-207, respectively, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2020 Supplement) to issue and sell its parking revenue bonds at one time or from time to time, in one or more series, and not upon the full faith and credit of Montgomery County, in an amount sufficient to refund certain outstanding parking revenue bonds the proceeds of which financed and refinanced certain projects in the Bethesda Parking Lot District; to provide for the sale of such bonds; and generally providing for and determining various matters in connection with the such bonds.

Background

1. Pursuant to the provisions of Chapter 60 of the Montgomery County Code (“Chapter 60”), Montgomery County, Maryland (the “County”) has established a special taxing district known as the Bethesda Parking Lot District (as further defined in Chapter 60, the “Bethesda PLD”).
2. Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2020 Supplement) and Sections 20-47 through 20-54 of Chapter 20 of the Montgomery County Code, as amended (collectively, the “Act”) authorize the issuance from time to time of revenue bonds or other obligations of the County, payable as to principal, interest and premium, if any, only from the funds or revenues received from or in connection with any project, all or part of which is financed from the proceeds of revenue bonds or other obligations. Such bonds may be sold on a negotiated basis without solicitation of competitive bids if the County determines that the procedure is in the public interest.
3. The County has previously issued its Parking Revenue Bonds (the “Parity Bonds”) under the provisions of the Act, which Parity Bonds (i) are payable from the revenues of the Bethesda PLD and (ii) are subject to the terms and conditions specified in Order No. B160-92, executed and delivered by the County Executive of Montgomery County (the “County Executive”) on February 28, 1992 and amended by Order No. B161-92, executed and delivered by the County Executive on April 16, 1992, Order No. B239-02, executed and delivered by the County Executive on June 4, 2002, Order No. B272-05,

executed and delivered by the County Executive on August 31, 2005, Order No. B318-12, executed and delivered by the Chief Administrative Officer of the County (the “Chief Administrative Officer”), acting in the capacity of the County Executive, on May 1, 2012, Order No. B343-15, executed and delivered by the Chief Administrative Officer, acting in the capacity of the County Executive, on October 19, 2015 and Order No. B356-17 executed and delivered by the Chief Administrative Officer, acting in the capacity of the County Executive, on March 8, 2017 (as the same may be further amended, supplemented or restated from time to time, the “Bond Order”).

4. Pursuant to the Act, the County expects to issue its refunding parking revenue bonds in the aggregate principal amount not to exceed \$26,100,000 (the “Series 2021 Bonds”), the proceeds of which will be applied to refund the Refunded Bonds (as defined below).
5. Pursuant to the Act and Resolution No. 17-403 adopted by the County Council on April 24, 2012 and Resolution 18-232 adopted by the County Council on July 28, 2015, respectively, the County previously issued (a) its \$24,190,000 Parking System Project Revenue Bonds (Bethesda Parking Lot District) Series 2012A and \$13,750,000 Parking System Refunding Revenue Bonds (Bethesda Parking Lot District) Series 2012B and (b) its \$9,174,000 Parking System Refunding Revenue Bond (Bethesda Parking Lot District) Series 2015, that were converted from tax-exempt obligation to a taxable obligation on March 8, 2017 respectively, (collectively, the “Refunded Bonds”), the proceeds of which were applied to finance and refinance the costs of parking structures and related facilities located in the Bethesda PLD, including refunding certain of the County’s outstanding parking revenue bonds.
6. Section 19-207 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2020 Supplement) (the “Refunding Act”) provides that any county in the State of Maryland that has the power under any public general or public local law to borrow money and evidence the borrowing by the issuance of its revenue bonds for the purpose of refunding any of its bonds then outstanding, including the payment of any redemption premium and any interest accrued or to accrue to the date of redemption, purchase or maturity of the bonds. Refunding bonds issued under the authority of the Refunding Act may be issued for public purposes which include realizing savings in the aggregate cost of debt service on either a direct comparison or present value basis. Refunding bonds may be sold on a negotiated basis without solicitation of competitive bids if the County determines that such issuance of Refunding Bonds will serve a public purpose as defined in the Refunding Act.
7. By the terms of the Refunding Act, the power to issue refunding bonds under the Refunding Act is additional and supplemental to the County’s existing borrowing power.
8. Refunding bonds may be issued in one or more series, each series being in whatever principal amount the County determines to be required to achieve the purpose for the issuance of the refunding bonds, which amount may be in excess of the principal amount of the outstanding Refunded Bonds.
9. The Director of Finance of the County (the “Director of Finance”) has recommended that all or a part of the Refunded Bonds be refunded under the authority of the Refunding Act

in order to realize savings to the County in the aggregate cost of debt service on either a direct comparison or present value basis.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

Section 1. All capitalized terms used herein shall have the meanings given such terms in the Background section of this Resolution.

Section 2. The County is hereby authorized to issue, sell and deliver revenue bonds of the County, at one time or from time to time, and in one or more series, under the authority of Section 10-203 of the Local Government of the Annotated Code of Maryland (2013 Replacement Volume and 2020 Supplement), Sections 20-47 through 20-54 of Chapter 20 of the Montgomery County Code and the Refunding Act in the aggregate principal amount not to exceed \$26,100,000 for the purpose of (a) refunding all or a portion of the County's outstanding: (i) Parking System Project Revenue Bonds (Bethesda Parking Lot District) Series 2012A, (ii) Parking System Refunding Revenue Bonds (Bethesda Parking Lot District) Series 2012B and (iii) Parking System Refunding Revenue Bond (Bethesda Parking Lot District) Series 2015 (collectively, the "Refunded Bonds"). Any refunding bonds issued to refund the Refunded Bonds in accordance with this Resolution (the "Series 2021 Bonds"), may be issued in such amount as shall be sufficient to pay the redemption price or principal amount of and accrued interest on the Refunded Bonds on the date on which the Refunded Bonds are to be redeemed or otherwise paid. The Series 2021 Bonds may also be issued to (i) fund all or a portion of a required debt service reserve fund with respect to the Series 2021 Bonds and (ii) to pay any and all other costs permitted to be paid from the proceeds of such Series 2021 Bonds under the Refunding Act and the Act (as the case may be), including (without limitation) the costs of issuance of such Series 2021 Bonds.

Section 3. The Series 2021 Bonds may be sold for a price at, above or below par, plus accrued interest to the date of delivery. Authority is hereby conferred on the County Executive to sell the Series 2021 Bonds through a public sale or through a private (negotiated) sale without solicitation of competitive bids, as the County Executive by executive order, upon consultation with the Director of Finance and the County's financial advisor, shall determine to be in the best interests of the County.

Section 4. As authorized by the Act and confirmed here the County Executive is authorized to cause to be prepared and distributed a preliminary official statement and a final official statement, or other disclosure document respecting the Series 2021 Bonds, if he determines that it is appropriate to issue such statements or disclosure document. The County Executive may determine, by executive order or otherwise, in his sole and absolute discretion, to issue the Series 2021 Bonds in one or more series from time to time in an aggregate principal amount not to exceed the amount authorized by this Resolution. The Series 2021 Bonds will be

designated, dated, bear interest, be in such denominations, be payable at such times and at such places, mature in such amounts and on such dates, be subject to redemption prior to maturity, have such other provisions, be in such forms and be executed and sealed as the County Executive, in his sole and absolute discretion, determines, by executive order or otherwise. The execution and delivery of the Series 2021 Bonds shall be conclusive evidence of the approval of the form of such Series 2021 Bonds on behalf of the County.

Section 5. The County Executive may, by executive order or otherwise, provide for the deposit of any proceeds from the Series 2021 Bonds in trust with a trust company or other banking institution and the investment of such proceeds in such manner as will provide for the payment when due of the principal of and premium (if any) and interest on the Refunded Bonds with the proceeds of the Series 2021 Bonds.

Section 6. So long as the Series 2021 Bonds are outstanding and unpaid, the County hereby covenants to levy within the Bethesda PLD the special taxes payable pursuant to Section 60-3 of the Montgomery County Code, as amended, in rate and amount which shall be sufficient with other available funds in each fiscal year to maintain Net Revenues (as defined in the Bond Order) in such amount as shall be determined by the County Executive by Executive Order or otherwise.

Section 7. The County hereby covenants that the timely payment of the principal of and interest on the Series 2021 Bonds and any Parity Bonds issued to finance projects within or operated by the Bethesda PLD shall be secured equally and ratably by the Net Revenues of the Bethesda PLD without priority by reason of number or time of sale or delivery; and the Net Revenues of the Bethesda PLD are hereby irrevocably pledged to the timely payment of both principal, premium (if any) and interest on the Series 2021 Bonds and Parity Bonds issued to finance projects within or operated by the Bethesda PLD as set forth in the Bond Order or any other orders of the County Executive passed subsequent to the adoption of this Resolution.

Section 8. The County Executive may, by executive order or otherwise, specify, prescribe, determine, provide for, approve, execute and deliver (where applicable) such other matters, details, forms, documents or procedures, including (without limitation) notices of sale, forms of proposal, term sheets, letters of intent, bond purchase agreements, escrow deposit agreements, escrow letter agreements, trust agreements, bond orders and continuing disclosure agreements, as are necessary, proper or expedient to consummate the authorization, sale, security, issuance, delivery or payment of or for the Series 2021 Bonds.

Section 9. The Refunding Act provides that refunding bonds may be issued thereunder by the County for certain public purposes specified therein, including realizing savings to the County in the aggregate cost of debt service on either a direct comparison or present value basis. The County is hereby authorized to borrow money and incur indebtedness evidenced by the Series 2021 Bonds to refinance the Refunded Bonds. The Series 2021 Bonds may be issued pursuant to this Resolution in an aggregate principal amount that exceeds the principal amount of

the Refunded Bonds refinanced thereby in order to fund any reserve fund and to pay any and all costs of issuance of the Series 2021 Bonds and applicable underwriting, escrow agent, verification agent or other fees. The issuance of the Series 2021 Bonds will effectuate and accomplish the public purpose of realizing savings to the County in the aggregate cost of debt service on a direct comparison or a present value basis.

Section 10. The County hereby covenants that if it issues the Series 2021 Bonds as tax-exempt obligations it will take, or refrain from taking, any and all actions necessary to comply with the provisions of Section 103 and Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended (the “Code”), applicable to the Series 2021 Bonds in order to preserve the excludability of the interest on the Series 2021 Bonds from gross income for Federal income tax purposes. Without limiting the generality of the preceding sentence, the County will (a) not use or permit the use of any of the proceeds of the Series 2021 Bonds in such manner as would cause the interest on the Series 2021 Bonds to be includable in gross income for Federal income tax purposes, (b) make periodic determinations of the rebate amount (if any) and timely pay any rebate amount, or installment thereof, to the United States of America, and (c) prepare and timely file Internal Revenue Service Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, or any successor or additional form required by the Internal Revenue Service.

Section 11. In accordance with the provisions of Section 211 of the Charter of the County, the County Executive is hereby authorized to delegate to the Chief Administrative Officer the power and authority to take any and all actions required or permitted to be taken by the County Executive pursuant to this Resolution.

Section 12. The members of the County Council, the County Executive, the Chief Administrative Officer, the County Attorney, the Director of Finance and the Clerk of the Council and their respective designees, for and on behalf of the County, are hereby authorized and empowered to do all things, execute all instruments, and otherwise take all such action as may be necessary, proper or expedient to carry out the authority conferred by this Resolution, including (without limitation) the execution of certificates of the County, including (without limitation) documents, elections, statements and reports pursuant to application provisions of the Code and the Treasury Regulations prescribed thereunder, subject to the limitations set forth in the Revenue Bond Act, the State Refunding Act and this Resolution.

Section 13. This Resolution shall take effect upon its adoption.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council