



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: To receive testimony/final action - vote expected
Keywords: Debt, CIP

AGENDA ITEMS #7, #12D,
and #13
July 13, 2021
Public Hearing/Action

SUBJECT

Item #7: **Public Hearing** on Expedited Bill 25-21, Bond Authorization

Item #12D: **Action** on Expedited Bill 25-21, Bond Authorization

Item #13: **Action** on Resolution to consolidate previously authorized notes for sale and issuance as a single issue

EXPECTED ATTENDEES

Jacqueline Carter, Debt Manager, Finance
Lydia Lan, Debt Management, Finance

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Executive requests that the Council introduce and act on the subject expedited bill and its companion, implementing resolution (see ©1-11). The Council's action is required to implement the appropriations included in the amended FY21-26 Capital Improvements Program (CIP). The Executive requests that the Council consider this as an expedited legislation to take advantage of the current market conditions this summer.

SUMMARY OF KEY DISCUSSION POINTS

- The Council must adopt legislation to authorize the issuing of general obligation (G.O.) bonds. As the County issues G.O. bonds by public facility category, that authority decreases for future bond issuances.
- Finance notes that there is not enough authority to implement the approved CIP for certain bond categories (see ©6). Section 20-14 of the County Code defines the public facility categories that may be funded by G.O. bonds. The public facility categories and amount of G.O. bond authority requested in Expedite Bill 25-21 are:
 - Public schools, including Montgomery College - \$222,000,000
 - Public roads - \$117,800,000
 - County Government - \$65,300,000
 - Mass transit - \$47,400,000
- Expedited Bill 25-21 increases the County's general obligation (G.O.) bond authorization by \$452,500,000 in the public facility categories and by the amounts as listed above (see ©2-5).

- The bonds will be secured by the full faith and credit and taxing authority of the County.
- The subject resolution implements the additional bond authority in Expedited bill 25-21 and allows the Executive to consolidate any previously approved bond authorizations (see ©10-11). The resolution allows the consolidated bond authorization to be issued, sold, and delivered from time to time as one or more series of bond anticipation notes.
- This cover page is for both the public hearing and action items for the subject expediated bill and the implementing resolution. The public hearing on the expediated bill is tentatively scheduled at 1:30 PM (Item #7). Action on the expediated bill is tentatively scheduled later in the day during the Legislative Session of the Council (Item #12D). Action on the implementing resolution is tentatively scheduled following the Council's action on the expediated bill (Item #13).

This report contains:

Executive memorandum	© #1
Expedited Bill 25-21, Bond Authorization	© #2-5
Bond Authority and Public Facility Category Crosswalk	© #6
Legislative Request Report	© #7
Fiscal Impact Statement	© #8-9
Proposed resolution	© #10-11

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OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

June 22, 2021

TO: Tom Hucker, Council President
Montgomery County Council

FROM: Marc Elrich
County Executive 

SUBJECT: Bond Authorization Legislation - Approved FY 2022 Capital Budget and Resolution
Providing for the Consolidation of Certain Previously Authorized Notes for Sale and
Issuance as a Single Issue

The approved Capital Budget for Fiscal Year 2022 provides for certain increased appropriation authority that will require funding initially from Commercial Paper Bond Anticipation Notes, and permanent financing from future County general obligation bond issues.

The Council, therefore, will have to consider the related additional bond authority by category, necessary to fully implement this program. Accordingly, I am transmitting the attached bill providing for this action. This legislation was prepared by the County's bond counsel, McKennon Shelton & Henn LLP and reviewed by the Department of Finance. The fiscal impact with respect to the legislation is contained within the approved Operating Budget and consists of the related annual debt service on the Notes and bonds following their ultimate issue.

I am transmitting concurrently the resolution that consolidates the new authority with all previous commercial paper bond anticipation note authority. This "consolidating resolution" will take effect from the date on which the bond authority becomes effective. I recommend that this bill be enacted on an expedited basis in order to comply with the need for a summer bond issue.

I would appreciate it if you could arrange to have the consolidating and refunding resolution placed on the June 29, 2021 Council Consent Calendar for introduction concurrent with the bond authorization legislation, and arrange for it to be adopted on July 13, 2021 when the bond authority bill is approved.

A copy of a schedule prepared by the Controller's Office reflecting the composition of the additional bond authority is enclosed for your information. If you have any questions, please contact Michael J. Coveyou, Director of Finance at extension 7-8870.

ME: mc
Enclosure

Expedited Bill No. 25-21
Concerning: Bond Authorization
Revised: 6-22-21 Draft No. 1
Introduced: 6-29-21
Expires: December 29, 2022
Enacted: [date]
Executive: [date signed]
Effective: [date takes effect]
Sunset Date: [date expires]
Ch. [#], Laws of Mont. Co. [year]

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the Request of the Executive

AN EXPEDITED ACT to:

- (1) authorize the County to issue certain bonds; and
- (2) authorize the bonds and bonds previously authorized to be issued to be consolidated for sale and issued, sold and delivered as a single issue.

By adding to the laws of Montgomery County 2021

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

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

1 **Sec. 1.** The laws of Montgomery County, Maryland, are amended to read as
2 follows:

3 The County may at any time and from time to time sell up to \$452,500,000 in
4 general obligation bonds under Chapter 20 for any project included in an approved
5 Capital Improvements Program as follows:

6 (a) an aggregate principal amount not exceeding \$222,000,000 for public
7 facilities as defined in Section 20-14(a);

8 (b) an aggregate principal amount not exceeding \$117,800,000 for public
9 facilities as defined in Section 20-14(b);

10 (c) an aggregate principal amount not exceeding \$65,300,000 for public
11 facilities as defined in Section 20-14(c); and

12 (d) an aggregate principal amount not exceeding \$47,400,000 for public
13 facilities as defined in Section 20-14(d).

14 Any bonds issued and sold by the County under this Act constitute an
15 irrevocable pledge of the full faith and credit and unlimited taxing power of the
16 County.

17 In accordance with Section 19-101 of the Local Government Article of the
18 Annotated Code of Maryland (2013 Replacement Volume and 2020 Supplement), the
19 County Executive by order may determine that all or any of the bonds and any bonds
20 authorized by any other County laws may be consolidated for sale and issued, sold,
21 and delivered as a single issue of bonds.

22 The County Executive must determine all matters relating to the amounts of
23 bonds to be sold, advertisement, sale, issuance, delivery and payment of the
24 consolidated issue, such as the forms, dates and denominations of the consolidated
25 bonds, the principal maturities, the method for determining the interest payable on the
26 consolidated bonds, and provisions for the use of facsimile signatures or seals. At
27 least one advertisement of the public sale of the consolidated bonds must appear in a

28 newspaper of general circulation in Montgomery County at least 10 days before the
29 sale.

30 **Sec. 2. Expedited Effective Date.**

31 The Council declares that this legislation is necessary for the immediate
32 protection of the public interest. This Act takes effect on the date on which it becomes
33 law.

Approved:

Tom Hucker, President, County Council

Date

Approved:

Marc Elrich, County Executive

Date

This is a correct copy of Council action.

Selena Mendy Singleton, Esq., Clerk of the Council

Date

**MONTGOMERY COUNTY, MARYLAND
ADDITIONAL COUNTY GOVERNMENT GENERAL OBLIGATION BOND AUTHORITY
REQUIRED TO FINANCE APPROVED FY22 CAPITAL APPROPRIATIONS**

	Estimated FY21 Remaining Appropriation per BASIS Report (a)	G.O. Bond Funds Required per Approved FY22 Capital Improvements Program * (b)	G.O. Bond Funds Required as of 6/30/21 (a+b) (c)	G.O. Bond Authority 6/30/21 (d)	Proposed Deauthorization (e)	Adjusted G.O. Bond Authority 6/30/21 (d-e) (f)	Adjustments for Excess G.O. Bond Authority (g)	Adjustments For Rounding (h)	Required Additional G.O. Bond Authority (c-f-g-h) (i)
County Government:									
General County	186,619,694	71,230,000	257,849,694	294,182,855	-	294,182,855	(36,333,161)	-	-
Parks	13,329,706	13,258,000	26,587,706	10,098,754	-	10,098,754	-	(11,048)	16,500,000
Consolidated Fire Tax District	30,095,900	23,145,000	53,240,900	4,533,743	-	4,533,743	-	(92,843)	48,800,000
(C) General County, Parks, and Consolidated Fire Tax District	230,045,300	107,633,000	337,678,300	308,815,352	-	308,815,352	(36,333,161)	(103,891)	65,300,000
(B) Road and Storm Drainage									
(D) Mass Transit	57,502,638	103,306,000	160,808,638	43,105,491	-	43,105,491	-	(96,853)	117,800,000
(F) Public Housing	45,420,569	41,071,000	86,491,569	39,189,284	-	39,189,284	-	(97,715)	47,400,000
(E) Parking Districts:	-	-	-	47,400,000	-	47,400,000	(47,400,000)	-	-
Silver Spring	-	-	-	0	-	-	-	-	-
Bethesda	-	-	-	0	-	-	-	-	-
(H) Agricultural Easements	-	-	-	2,000,000	-	2,000,000	(2,000,000)	-	-
(I) Façade Easements	-	-	-	3,300,000	-	3,300,000	(3,300,000)	-	-
Total County Government	332,968,507	252,010,000	584,978,507	443,810,127	-	443,810,127	(89,033,161)	(298,459)	230,500,000
Other Agencies:									
Public Schools	186,012,000	104,176,000	290,188,000	138,228,944	-	138,228,944	-	(40,944)	152,000,000
Community College	48,069,572	20,236,000	68,305,572	(1,636,071)	-	(1,636,071)	-	(58,357)	70,000,000
(A) Total Other Agencies	234,081,572	124,412,000	358,493,572	136,592,873	-	136,592,873	-	(99,301)	222,000,000
Total CIP	567,050,079	376,422,000	943,472,079	580,403,000	-	580,403,000	(89,033,161)	(397,760)	452,500,000

LEGISLATIVE REQUEST REPORT

Bill 25-21

COUNTY BOND AUTHORIZATION LEGISLATION

REQUIRED TO FINANCE FY 2022 APPROVED CAPITAL APPROPRIATIONS

<u>DESCRIPTION:</u>	Legislation to authorize the issuance of various proposed bonds in an amount not to exceed \$452,500,000. These General Obligation Bonds are to be issued upon the full faith and credit of the County.
<u>PROBLEM:</u>	There is insufficient bond authorization in certain categories of CIP expenditures to fully cover the increased appropriation level as approved by the County Council.
<u>GOALS & OBJECTIVES:</u>	The goal is to provide new, additional bond authorization equal to the approved appropriation level which will be financed from future bond issues.
<u>COORDINATION:</u>	This bill does not duplicate or overlap existing law.
<u>FISCAL IMPACT:</u>	Future annual debt service costs are incurred at the time the bonds are actually sold and are included in the Approved Operating Budget and Annual Appropriations for Debt Service.
<u>EVALUATION:</u>	N/A
<u>EXPERIENCE ELSEWHERE:</u>	N/A
<u>SOURCE OF INFORMATION:</u>	Michael J. Coveyou, Director, Department of Finance Tel: 240-777-8870

**Fiscal Impact Statement
Bill XX-XX, Bond Authority**

1. Legislative Summary.

There is insufficient bond authorization in certain categories of CIP expenditures to fully cover the increased appropriation level as approved by the County Council, and some prior authorizations in certain categories are no longer required.

Legislation authorizes the issuance of General Obligation bonds in an amount not to exceed \$452,500,000. These General Obligation Bonds are to be issued upon the full faith and credit of the County.

Legislation will provide bond authority for future actual debt issuance. The County Executive will issue bonds as needed to fund projects approved in the CIP.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The County revenue and expenditure estimates will be determined by the specific amount of bonds issued and future annual amount of debt service incorporated into the annual operating budget. This bill only provides authority for the issuance of General Obligation Bonds.

For a twenty-year term at 5% interest, average annual estimated debt service is \$76,250 per \$1,000,000 in General Obligation Bonds issued.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

The County revenue and expenditure estimates for the next 6 fiscal years will be determined by the specific amount of bonds issued and the amount of debt service incorporated into the annual operating budget. This bill only provides authority for the issuance of General Obligation Bonds.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable

7. An estimate of the staff time needed to implement the bill.

Not applicable

8. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable

9. An estimate of costs when an additional appropriation is needed.

Not applicable

10. A description of any variable that could affect revenue and cost estimates.

Not applicable

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable

12. If a bill is likely to have no fiscal impact, why that is the case.

The bill is to provide new, additional bond authorization equal to the approved appropriation level which will be financed from future bond issues.

13. Other fiscal impacts or comments.

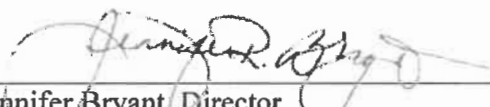
None

14. The following contributed to and concurred with this analysis:

Mary Casciotti, Department of Finance

Lydia Lan, Department of Finance

Veronica Jaua, Office of Management and Budget



Jennifer Bryant, Director
Office of Management and Budget

6-14-21

Date

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

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

SUBJECT: Resolution to Consolidate Previously Authorized Notes for Sale and Issuance as a Single Issue

Background

1. Resolution No. 16-1104, adopted by the County Council for Montgomery County, Maryland (the “County Council”), on September 15, 2009 as amended by Resolution No 16-1567 of the County Council adopted on November 30, 2010, Resolution No. 17-318 of the County Council adopted on December 6, 2011, Resolution No. 17-556 of the County Council adopted on September 25, 2012, Resolution No. 17-908 of the County Council adopted on October 1, 2013, Resolution No. 17-1247 of the County Council adopted on October 14, 2014, Resolution No. 18-305 of the County Council adopted on October 27, 2015, Resolution No. 18-1259 of the County Council adopted on October 2, 2018, and Resolution No. 19-263 of the County Council adopted on October 1, 2019 (collectively, the “Note Resolution”), authorized the County to issue, at one time or from time to time, bond anticipation notes (the “Notes”) of Montgomery County, Maryland (the “County”). The Notes are to be issued pursuant to and in accordance with certain laws of Montgomery County, Maryland (the “Authorizing Legislation”) and Section 19-212 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2019 Supplement) (the “Bond Anticipation Note Act”), for the public purposes and uses as set forth in the Authorizing Legislation and to pay the costs of issuing the Notes.
2. On June 29, 2021, the County Council introduced Expedited Bill No. 25-21, Bond Authorization to authorize the County to borrow money in an aggregate amount of \$452,500,000 for the purposes of financing the cost of certain public facilities.
3. In addition, the County has decided to authorize the issuance, sale, and delivery of additional bond anticipation notes in the nature of commercial paper at any time and from time to time in the principal amount of \$535,403,000 for the purpose of having bond anticipation note authority available for the issuance of bonds previously authorized by the County Council, but heretofore unissued.

4. The County wishes to add the authority provided in Expedited Bill No. 25-21 and the additional bond anticipation note authority hereby authorized with the authority remaining under the Note Resolution so that the aggregate amount of all the authority may be consolidated for sale and issued, sold and delivered from time to time as one or more series of bond anticipation notes.

Action

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

Section 1. The Note Resolution is hereby amended as follows:

1. The “Authorized Amount” means \$987,903,000 less the aggregate principal amount of Notes paid after the effective date of this Resolution with proceeds of general obligation bonds and other legally available funds, as that amount may be amended from time to time by resolution of the County Council.
2. The definition of “Authorized Legislation” in Section 1, paragraph (b)(iii) of Resolution 16-1104 is hereby amended to include Expedited Bill No. 25-21.

Section 2. The effect of the amendments in Section 1 is to increase the County’s authority to issue bond anticipation notes under the Note Resolution.

Section 3. Except as specifically amended by this Resolution, the Note Resolution is hereby fully ratified and confirmed.

Section 4. This Resolution takes effect when the law introduced as Expedited Bill No. 25-21 takes effect.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council