



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: To introduce agenda items – no vote expected
Keywords: Debt, CIP

AGENDA ITEMS #4B & #6A
June 21, 2022
Introduction

SUBJECT

Item #4B: Expedited Bill 19-22, Bond Authorization

Item #6A: Resolution to consolidate previously authorized notes for sale and issuance as a single issue

EXPECTED ATTENDEES

None

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 resolution (see ©1-11). The Council's action is required to implement the appropriations approved in the FY23-28 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

- Expedited Bill 19-22 (Item #4B) increases the County's general obligation (G.O.) bond authorization by \$420,300,000 in certain public facility categories (see ©2-5). Section 20-14 of the County Code defines the public facility categories that may be funded by G.O. bonds.
- The bonds will be secured by the full faith and credit and taxing authority of the County.
- Additional authority is needed to fund the approved appropriations for the CIP projects in the public facility categories as identified in Column (g) on ©6. These appropriations were approved by the Council in the FY23-28 CIP.
- The subject resolution (Item #6A) consolidates the previously approved bond authorizations and increases the total authorization by the amount recommended in Expedited Bill 19-22 (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.
- The public hearing of the expedited bill is tentatively scheduled for July 12, 2022 at 1:30 PM. Action on the bill and subject resolution is tentatively scheduled immediately following the public hearing.

This report contains:

Executive memorandum	© #1
Expedited Bill 19-22, 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 15, 2022

TO: Gabe Albornoz, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Bond Authorization Legislation - Approved FY 2023 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 2023 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 implement this program fully. 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 statement (FIS) for this 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 concurrently transmitting the resolution consolidating the new authority with all previous commercial paper bond anticipation note authority. This consolidating resolution will take effect when the bond authority becomes effective. I recommend that the bill be enacted on an expedited basis to comply with the need for a summer bond issue.

I would appreciate if Council could place consolidating and refunding resolution on June 21, 2022, Council Consent Calendar for introduction concurrent with the bond authorization legislation. In addition, arrange for it to be adopted on July 12, 2022, when the bond authorization 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.

Enclosure

Bill No. 19-22
Concerning: Bond Authorization
Revised: June 16, 2022 Draft No. 1
Introduced: June 21, 2022
Expires: December 21, 2023
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the request of County Executive

AN EXPEDITED ACT to:

- (1) authorize the County to issue certain bonds;
- (2) authorize the bonds, and bonds previously authorized to be issued, to be consolidated for sale, and to be issued, sold and delivered as a single issue;
- (3) generally amend the Laws of Montgomery County 2022 regarding bond issuance.

By adding to the Laws of Montgomery County 2022

Boldface

Underlining

[Single boldface brackets]

Double underlining

[[Double boldface brackets]]

* * *

Heading or defined term.

Added to existing law by original bill.

Deleted from existing law by original bill.

Added by amendment.

Deleted from existing law or the bill by amendment.

Existing law unaffected by bill.

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

Section 1. The following is added to the Laws of Montgomery County

2022:

The County may at any time and from time to time sell up to \$420,300,000 in general obligation bonds under Chapter 20 for any project included in an approved Capital Improvements Program as follows:

(a) an aggregate principal amount not exceeding \$373,700,000 for public facilities as defined in Section 20-14(a);

(b) an aggregate principal amount not exceeding \$30,000,000 for public facilities as defined in Section 20-14(b); and

(c) an aggregate principal amount not exceeding \$16,600,000 for public facilities as defined in Section 20-14(c).

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

In accordance with Section 19-101 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2021 Supplement), the County Executive by order may determine that all or any of the bonds and any bonds authorized by any other County laws may be consolidated for sale and issued, sold, and delivered as a single issue of bonds.

The County Executive must determine all matters relating to the amounts of bonds to be sold, advertisement, sale, issuance, delivery and payment of the consolidated issue, such as the forms, dates and denominations of the consolidated bonds, the principal maturities, the method for determining the interest payable on the consolidated bonds, and provisions for the use of facsimile signatures or seals. At least one advertisement of the public sale of the consolidated bonds must appear in a newspaper of general circulation in Montgomery County at least 10 days before the sale.

28 **Section 2. Expedited Effective Date.** The Council declares that this
29 legislation is necessary for the immediate protection of the public interest. This
30 Act takes effect on the date on which it becomes law.

Approved:

Gabe Albornoz, President, County Council

Date

Approved:

Marc Elrich, County Executive

Date

This is a correct copy of Council action.

Judy K. Rupp, Clerk of the Council

Date

MONTGOMERY COUNTY, MARYLAND
ADDITIONAL COUNTY GOVERNMENT GENERAL OBLIGATION BOND AUTHORITY
REQUIRED TO FINANCE APPROVED FY23 CAPITAL APPROPRIATIONS

	Estimated FY22 Remaining Appropriations per OMB Appropriations Calculation by Funding Source Report (a)	G.O. Bond Funds Required per Approved FY23 CIP Appropriations (b)	G.O. Bond Funds Required as of 6/30/23 (a+b) (c)	G.O. Bond Authority 6/30/22 (d)	Adjustments for Excess G.O. Bond Authority (e)	Adjustments For Rounding (f)	Required Additional G.O. Bond Authority (c-d-e-f) (g)
County Government:							
General County	102,027,000	83,650,000	185,677,000	251,445,765	(65,768,765)	-	-
Parks	4,517,000	14,698,000	19,215,000	2,705,534	-	(90,534)	16,600,000
Consolidated Fire Tax District	17,253,000	2,400,000	19,653,000	43,161,933	(23,508,933)	-	-
(C) General County, Parks, and Consolidated Fire Tax District	123,797,000	100,748,000	224,545,000	297,313,232	(89,277,698)	(90,534)	16,600,000
					-		-
(B) Road and Storm Drainage	44,510,000	99,690,000	144,200,000	114,235,468	-	(35,468)	30,000,000
(D) Mass Transit	13,679,000	18,060,000	31,739,000	64,618,985	(32,879,985)	-	-
(F) Public Housing	-	-	-	47,400,000	(47,400,000)		-
(E) Parking Districts:				-	-		-
Silver Spring			-	-	-		-
Bethesda			-	-	-		-
(H) Agricultural Easements	-		-	2,000,000	(2,000,000)		-
(I) Façade Easements	-		-	3,300,000	(3,300,000)		-
Total County Government	181,986,000	218,498,000	400,484,000	528,867,686	(174,857,683)	(126,002)	46,600,000
Other Agencies:							
Public Schools	658,240,000	(136,202,000)	522,038,000	148,343,134	-	(5,134)	373,700,000
Community College	14,151,000	12,816,000	26,967,000	45,692,179	(18,725,179)	-	-
(A) Total Other Agencies	672,391,000	(123,386,000)	549,005,000	194,035,313	(18,725,179)	(5,134)	373,700,000
Total CIP	854,377,000	95,112,000	949,489,000	722,902,999	(193,582,862)	(131,136)	420,300,000

LEGISLATIVE REQUEST REPORT

Bill _____

COUNTY BOND AUTHORIZATION LEGISLATION

REQUIRED TO FINANCE FY2023 APPROVED CAPITAL APPROPRIATIONS

<u>DESCRIPTION:</u>	Legislation to authorize the issuance of various proposed bonds in an amount not to exceed \$420,300,000. 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 is new legislation that 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 Coveyou, Director of Finance, 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 \$420,300,000. 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 \$78,875 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:

Jacqueline Carter, Department of Finance
Veronica Jaua, Office of Management and Budget



Jennifer Bryant, Director
Office of Management and Budget

6/9/22

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, Resolution No. 19-263 of the County Council adopted on October 1, 2019 and Resolution No. 19-944 of the County Council adopted on July 12, 2021 (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 2021 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 21, 2022, the County Council introduced Expedited Bill No. 19-22, Bond Authorization, to authorize the County to borrow money in an aggregate amount of \$420,300,000 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 \$787,903,000 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. 19-22 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 \$787,903,000 less the aggregate principal amount of Notes issued after the effective date of this Resolution.
2. The definition of “Authorized Legislation” in Section 1, paragraph (b)(iii) of Resolution 16-1104 is hereby amended to include Expedited Bill No. 19-22.

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. 19-22 takes effect.

This is a correct copy of Council action.

Judy Rupp
Clerk of the Council