
Debt Service

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 (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs. Non-tax supported debt repayment related to the MHI Property Acquisition Fund and Water Quality Protection bonds are also included.

BUDGET OVERVIEW

The total recommended FY16 Operating Budget for Debt Service is \$367,558,865 an increase of \$18,649,465 or 5.3 percent from the FY15 approved budget of \$348,909,400. This amount excludes \$63,480 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 44.8 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY15-20 Amended 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, 2013, the County Council approved SAG limits at \$295.0 million for FY15, \$295.0 million for FY16 and \$1,770.0 million for the FY15-20 period. On February 4, 2014, the County Council amended the SAG limits to \$324.5 million for FY15, \$324.5 million for FY16 and \$1,947.0 million for the FY15-20 period. On February 3, 2015, the County Council amended the SAG limits to \$299.5 million in FY15, \$340.0 million in FY16 and \$1,999.5 million for the FY15-20 period. The debt service budget includes the Recommended FY15-20 Amended G.O. bond CIP programmed levels.

Debt Service Program

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY16. 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; Noise Abatement Districts; 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, Recreation, Bradley Noise Abatement, and the Cabin John Noise Abatement Fund) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations and short-term financing obligations.

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 permanent 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 include investment income on BANs/commercial paper and 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.

FY15 Estimated Debt Service

FY15 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$333.6 million which is lower than the budget of \$338.7 million due to prior years G.O. bond refundings and actual interest rates that were lower than budget.

FY16 Recommended Debt Service Budget

The FY16 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through November 2014) plus the following:

- A fall 2015 (FY16) issue of \$324.5 million at an interest cost of 5.5 percent for 20 years with even principal payments (fall bond issues are expected to continue through FY21).
- Interest expense based on an anticipated average BANs/commercial paper balance of \$500.0 million during FY16.
- 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 FY16 Debt Service requirement for tax supported funds of \$357.3 million, which is a 5.5 percent increase from the FY15 budget of \$338.7 million. The General Fund appropriation requirement is \$292.9 million, or 0.7 percent more than the budgeted FY15 amount of \$290.8 million. A schedule detailing debt service principal and interest by major fund is included at the end of the chapter.

Public Services Program

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation, and implementation of the capital program at a projected 86.5 percent for FY15 and 94.6 percent for FY16-FY20. An estimated interest cost of 5.5 percent is budgeted for the fall 2015 (FY16) issue. Projected interest rates for bond issues for FY16 through FY20 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 \$357.3 million in FY16 to \$448.1 million by FY21 with the General Fund revenue requirement growing from \$292.9 million in FY16 to \$388.5 million by FY21.

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 Capital Improvements Program. 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, representing about ten percent of General Fund revenues. 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 FY15-20 Amended 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, project implementation rate, 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 FY15-20 Amended Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY15-20 Amended CIP is included at the end of this section.

Debt Limit

The County's outstanding general obligation debt totals \$2,370,500,000 as of June 30, 2014. 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, 2014, is \$10,149,911,046 based upon the assessed valuation \$159,891,865,334 for all real property and \$3,709,327,508 for personal property. The County's outstanding general obligation debt of \$2,370,500,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.75 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 Program Direct Debt for Fiscal Year 2014 (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.

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 Housing Opportunities Commission(HOC). Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the Montgomery Housing Initiative (MHI) fund support the repayment shown in the Debt Service Fund.

The FY16 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 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.

In FY13 the County entered into a 20 year lease purchase agreement to finance energy systems modernization at the County's Health and Human Services building. The lease purchase qualified as financing under the County's Qualified Energy Conservation Bond (QECCB) allocation, which provides a federal tax subsidy.

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, such as the service payment to the Northeast Maryland Waste Disposal Authority for financing of the Resource Recovery Facility. 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 (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.

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 Christopher Mullin of the Office of Management and Budget at 240.777.2772 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY14	Budget FY15	Estimated FY15	Recommended FY16	% Chg Bud/Rec
DEBT SERVICE					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	278,027,403	311,115,210	309,198,700	325,379,080	4.6%
Debt Service Other	21,479,124	27,578,980	24,422,450	31,963,425	15.9%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	299,506,527	338,694,190	333,621,150	357,342,505	5.5%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					
Federal Grants	5,808,511	5,928,730	5,928,730	5,853,000	-1.3%
Investment Income	95,589	0	0	0	—
Miscellaneous Revenues	334,924	0	2,341,570	0	—
Premium on General Obligation Bonds	3,088,117	0	5,236,781	11,488,440	—
Debt Service Revenues	9,327,141	5,928,730	13,507,081	17,341,440	192.5%
DEBT SERVICE - NON-TAX SUPPORTED					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service - Non-Tax Supported Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service Other	7,965,964	10,215,210	10,215,210	10,216,360	0.0%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	7,965,964	10,215,210	10,215,210	10,216,360	0.0%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
DEPARTMENT TOTALS					
Total Expenditures	307,472,491	348,909,400	343,836,360	367,558,865	5.3%
Total Full-Time Positions	0	0	0	0	—
Total Part-Time Positions	0	0	0	0	—
Total FTEs	0.00	0.00	0.00	0.00	—
Total Revenues	9,327,141	5,928,730	13,507,081	17,341,440	192.5%

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

	Actual FY13	Actual FY14	Budget FY15	Estimated FY15	Recommended FY16	% Chg Bud/Rec	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	31,544,095	42,875,231	47,398,490	46,988,590	53,355,890		16.6%
Roads & Storm Drains	60,350,215	59,990,819	68,437,830	67,503,620	64,069,230		20.0%
Public Housing	-	13,562	65,640	65,630	258,810		0.1%
Parks	9,192,758	9,119,493	9,906,220	9,717,030	8,584,080		2.7%
Public Schools	121,987,885	122,363,519	133,221,530	133,368,500	140,243,070		43.7%
Montgomery College	14,902,744	15,391,009	17,841,820	18,058,120	22,146,830		6.9%
Bond Anticipation Notes/Commercial Paper	753,371	428,377	1,000,000	500,000	1,200,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,719,343	2,574,642	3,000,000	2,600,000	2,500,000		
Cost of Issuance Costs	623,713	661,347	1,000,000	1,000,000	1,023,000		
Total General Fund	242,074,124	253,417,999	281,871,530	279,801,490	293,380,910	4.1%	90.0%
Fire Tax District Fund	6,886,445	7,078,100	8,438,020	8,212,910	7,392,700		2.3%
Mass Transit Fund	6,235,302	8,637,569	11,046,940	11,837,290	17,283,400		5.4%
Recreation Fund	9,270,330	8,893,735	9,758,720	9,347,010	7,322,070		2.3%
Bradley Noise Abatement Fund	23,549	-	-	-	-		0.0%
Cabin John Noise Abatement Fund	7,000	-	-	-	-		0.0%
Total Tax Supported Other Funds	22,422,626	24,609,404	29,243,680	29,397,210	31,998,170	9.4%	10.0%
TOTAL TAX SUPPORTED	264,496,750	278,027,403	311,115,210	309,198,700	325,379,080	4.6%	100.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	264,496,750	278,027,403	311,115,210	309,198,700	325,379,080	4.6%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	309,649	645,334	981,140	981,140	985,040		
Revenue Authority - HHS Piccard Drive	636,870	638,689	638,580	391,100	394,400		
Silver Spring Garages	5,070,347	-	-	-	-		
Revenue Authority - Recreation Pools	2,323,016	1,834,050	1,834,300	1,522,160	1,525,040		
Fire and Rescue Equipment	4,418,126	3,780,600	3,741,600	3,741,600	3,723,200		
TOTAL LONG-TERM LEASE EXPENDITURES	12,758,008	6,898,673	7,195,620	6,636,000	6,627,680	-7.9%	
SHORT-TERM LEASE EXPENDITURES / FINANCING							
Technology Modernization Project	5,659,962	5,659,962	6,780,200	5,660,200	7,310,200		
Libraries System Modernization	-	-	98,000	-	128,500		
Ride On Buses	3,801,617	3,802,000	6,675,950	6,628,000	8,396,640		
Public Safety System Modernization	4,373,540	4,373,540	5,223,600	4,373,600	6,990,600		
Fire and Rescue Apparatus	-	-	-	-	1,010,200		
Fuel Management System	-	-	480,000	-	480,000		
TOTAL SHORT-TERM LEASE EXPENDITURES	13,835,119	13,835,502	19,257,750	16,661,800	24,316,140	26.3%	
OTHER LONG-TERM DEBT							
Silver Spring Music Venue - Tax supported	293,155	293,955	295,610	294,650	295,105		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000		
Qualified Energy Conservation Bond - Tax supported	-	50,994	430,000	430,000	324,500		
MHI-HUD Loan - Non-Tax supported	69,769	67,729	65,630	65,640	63,480		
Water Quality Protection Charge Bonds - Non-Tax supported	2,122,601	3,016,160	3,019,200	3,019,200	3,020,250		
MHI - Property Acquisition Fund - Non-Tax supported	4,406,574	4,949,804	7,196,010	7,196,010	7,196,110		
TOTAL OTHER LONG-TERM DEBT	7,292,099	8,778,642	11,406,450	11,405,500	11,299,445	-0.9%	
DEBT SERVICE EXPENDITURES							
Tax Supported	291,783,032	299,506,527	338,694,190	333,621,150	357,342,505		
Non-Tax Supported - Other Long-term Debt	6,598,944	8,033,693	10,280,840	10,280,850	10,279,840		
TOTAL DEBT SERVICE EXPENDITURES	298,381,976	307,540,220	348,975,030	343,902,000	367,622,345	5.3%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	235,481,958	244,144,296	276,092,800	268,785,979	276,185,470		
Other Interest: Installment Notes, Interest & Penalties	1,284,836	334,924	-	-	-		
BAN/Commercial Paper Investment Income	114	95,589	-	-	-		
Federal Subsidy on General Obligation Bonds	6,111,775	5,808,511	5,778,730	5,778,730	5,707,000		
Premium on General Obligation Bonds	-	3,088,117	-	5,236,781	11,488,440		
Total General Fund Sources	242,878,683	253,471,437	281,871,530	279,801,490	293,380,910		
Fire Tax District Funds	6,799,377	7,781,477	8,438,020	8,212,910	7,392,700		
Mass Transit Fund	5,805,704	8,175,611	11,046,940	11,837,290	17,283,400		
Recreation Fund	8,982,438	8,598,881	9,758,720	9,347,010	7,322,070		
Bradley Noise Abatement Fund	23,549	-	-	-	-		
Cabin John Noise Abatement Fund	7,000	-	-	-	-		
Total Other Funding Sources	21,618,068	24,555,969	29,243,680	29,397,210	31,998,170		
TOTAL GO BOND FUNDING SOURCES	264,496,751	278,027,406	311,115,210	309,198,700	325,379,080		
NON GO BOND FUNDING SOURCES							
General Funds	16,743,522	12,062,471	14,697,130	12,380,690	16,682,345		
MHI Fund - HUD Loan	69,769	67,729	65,630	65,640	63,480		
Water Quality Protection Fund	2,122,601	3,016,160	3,019,200	3,019,200	3,020,250		
MHI - Property Acquisition Fund	4,406,574	4,949,804	7,196,010	7,196,010	7,196,110		
Federal Subsidy - Qualified Energy Conservation Bond	-	-	150,000	150,000	146,000		
Mass Transit Fund	3,801,617	3,802,000	6,675,950	6,628,000	8,396,640		
Recreation Fund	2,323,016	1,834,050	1,834,300	1,522,160	1,525,040		
Fire Tax District Fund	4,418,126	3,780,600	4,221,600	1,400,030	5,213,400		
Fire 2007 Certificates of Participation Closeout	-	-	-	2,341,570	-		
TOTAL NON GO BOND FUNDING SOURCES	33,885,225	29,512,814	37,859,820	34,703,300	42,243,265		
TOTAL FUNDING SOURCES	298,381,976	307,540,220	348,975,030	343,902,000	367,622,345		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	320,000,000	295,000,000	324,500,000	500,000,000	324,500,000		
Council SAG Approved Bond Funded Expenditures	325,000,000	295,000,000	324,500,000	299,500,000	340,000,000		

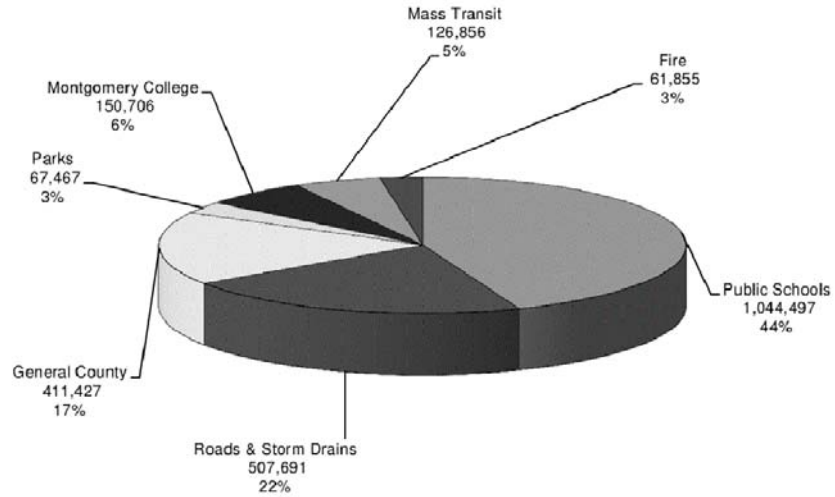
DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT

	Recommended FY16	Projected FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21
GO BOND DEBT SERVICE EXPENDITURES						
General County	53,355,890	59,602,490	60,639,090	63,186,840	64,182,450	64,708,820
Roads & Storm Drains	64,069,230	69,785,800	73,665,980	77,393,970	85,398,030	94,268,560
Public Housing	258,810	761,430	741,130	720,830	700,530	680,240
Parks	8,584,080	9,293,610	10,423,180	11,149,850	11,793,320	12,295,430
Public Schools	140,243,070	154,146,710	159,814,420	166,721,400	171,372,110	174,398,990
Montgomery College	22,146,830	23,803,460	25,974,370	26,972,470	27,731,820	29,365,680
Bond Anticipation Notes/Commercial Paper	1,200,000	2,550,000	3,400,000	4,350,000	5,300,000	6,200,000
Bond Anticipation Notes/Liquidity & Remarketing	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Cost of Issuance	1,023,000	1,053,100	1,080,200	1,111,300	1,146,400	1,184,500
Total General Fund	293,380,910	323,496,600	338,238,370	354,106,660	370,124,660	385,602,220
Fire Tax District Fund	7,392,700	8,255,520	9,282,370	10,845,120	13,153,570	14,410,670
Mass Transit Fund	17,283,400	18,906,470	20,614,280	22,537,670	22,916,790	23,385,630
Recreation Fund	7,322,070	7,546,280	7,748,070	7,636,330	7,340,690	7,296,740
Total Tax Supported Other Funds	31,998,170	34,708,270	37,644,720	41,019,120	43,411,050	45,093,040
TOTAL TAX SUPPORTED	325,379,080	358,204,870	375,883,090	395,125,780	413,535,710	430,695,260
TOTAL GO BOND DEBT SERVICE EXPENDITURES	325,379,080	358,204,870	375,883,090	395,125,780	413,535,710	430,695,260
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	985,040	988,540	986,640	989,440	991,850	987,710
Revenue Authority - HHS Piccard Drive	394,400	395,800	-	-	-	-
Revenue Authority - Recreation Pools	1,525,040	1,524,500	1,526,360	1,525,700	-	-
Fire and Rescue Equipment	3,723,200	3,715,800	3,717,900	-	-	-
TOTAL LONG-TERM LEASE EXPENDITURES	6,627,680	6,624,640	6,230,900	2,515,140	991,850	987,710
SHORT-TERM LEASE EXPENDITURES / FINANCING						
Technology Modernization Project	7,310,200	9,110,200	5,479,000	4,464,500	3,450,000	3,100,000
Libraries System Modernization	128,500	128,500	128,500	128,500	128,500	-
Ride On Buses	8,396,640	9,138,890	5,337,690	5,337,690	5,337,690	5,337,690
Public Safety System Modernization	6,990,600	6,302,800	4,330,000	4,330,000	4,330,000	2,563,000
Fire and Rescue Apparatus	1,010,200	1,667,500	2,361,200	2,994,100	3,505,000	3,930,000
Fuel Management System	480,000	960,000	960,000	960,000	960,000	480,000
TOTAL SHORT-TERM LEASE EXPENDITURES	24,316,140	27,307,890	18,596,390	18,214,790	17,711,190	15,410,690
OTHER LONG-TERM DEBT						
Silver Spring Music Venue - Tax supported	295,105	290,500	290,800	291,000	291,000	294,100
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000	400,000
Qualified Energy Conservation Bond - Tax supported	324,500	325,500	326,500	327,000	321,500	321,800
MHI-HUD Loan - Non-Tax supported	63,480	61,280	59,020	56,750	54,400	52,050
Water Quality Protection Charge Bonds - Non-Tax supported	3,020,250	7,432,400	7,430,100	12,646,200	12,839,650	12,844,000
MHI - Property Acquisition Fund - Non-Tax supported	7,196,110	7,200,310	7,208,010	7,201,510	7,205,600	7,200,460
TOTAL OTHER LONG-TERM DEBT	11,299,445	15,709,990	15,714,430	20,922,460	21,112,150	21,112,410
DEBT SERVICE EXPENDITURES						
Tax Supported	357,342,505	393,153,400	401,727,680	416,873,710	433,251,250	448,109,560
Non-Tax Supported - Other Long-term Debt	10,279,840	14,693,990	14,697,130	19,904,460	20,099,650	20,096,510
TOTAL DEBT SERVICE EXPENDITURES	367,622,345	407,847,390	416,424,810	436,778,170	453,350,900	468,206,070
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	276,185,470	318,046,600	332,888,370	349,036,660	365,254,660	380,932,220
Federal Subsidy on General Obligation Bonds	5,707,000	5,450,000	5,350,000	5,070,000	4,870,000	4,670,000
Premium on General Obligation Bonds	11,488,440	-	-	-	-	-
Total General Fund Sources	293,380,910	323,496,600	338,238,370	354,106,660	370,124,660	385,602,220
Fire Tax District Fund	7,392,700	8,255,520	9,282,370	10,845,120	13,153,570	14,410,670
Mass Transit Fund	17,283,400	18,906,470	20,614,280	22,537,670	22,916,790	23,385,630
Recreation Fund	7,322,070	7,546,280	7,748,070	7,636,330	7,340,690	7,296,740
Total Other Funding Sources	31,998,170	34,708,270	37,644,720	41,019,120	43,411,050	45,093,040
TOTAL GO BOND FUNDING SOURCES	325,379,080	358,204,870	375,883,090	395,125,780	413,535,710	430,695,260
NON GO BOND FUNDING SOURCES						
General Funds	16,682,345	17,800,840	11,805,440	10,798,840	9,787,350	7,544,610
MHI Fund - HUD Loan	63,480	61,280	59,020	56,750	54,400	52,050
Water Quality Protection Fund	3,020,250	7,432,400	7,430,100	12,646,200	12,839,650	12,844,000
MHI - Property Acquisition Fund	7,196,110	7,200,310	7,208,010	7,201,510	7,205,600	7,200,460
Federal Subsidy - Qualified Energy Conservation Bond	146,000	141,000	136,000	131,600	125,500	122,000
Mass Transit Fund	8,396,640	9,138,890	5,337,690	5,337,690	5,337,690	5,337,690
Recreation Fund	1,525,040	1,524,500	1,526,360	1,525,700	-	-
Fire Tax District Fund	5,213,400	6,343,300	7,039,100	3,954,100	4,465,000	4,410,000
TOTAL NON GO BOND FUNDING SOURCES	42,243,265	49,642,520	40,541,720	41,652,390	39,815,190	37,510,810
TOTAL FUNDING SOURCES	367,622,345	407,847,390	416,424,810	436,778,170	453,350,900	468,206,070
TOTAL GENERAL OBLIGATION BOND SALES						
Estimated Bond Sales	324,500,000	327,000,000	332,000,000	332,000,000	332,000,000	332,000,000
Council SAG Approved Bond Funded Expenditures	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000	340,000,000
ESTIMATED INTEREST RATE	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

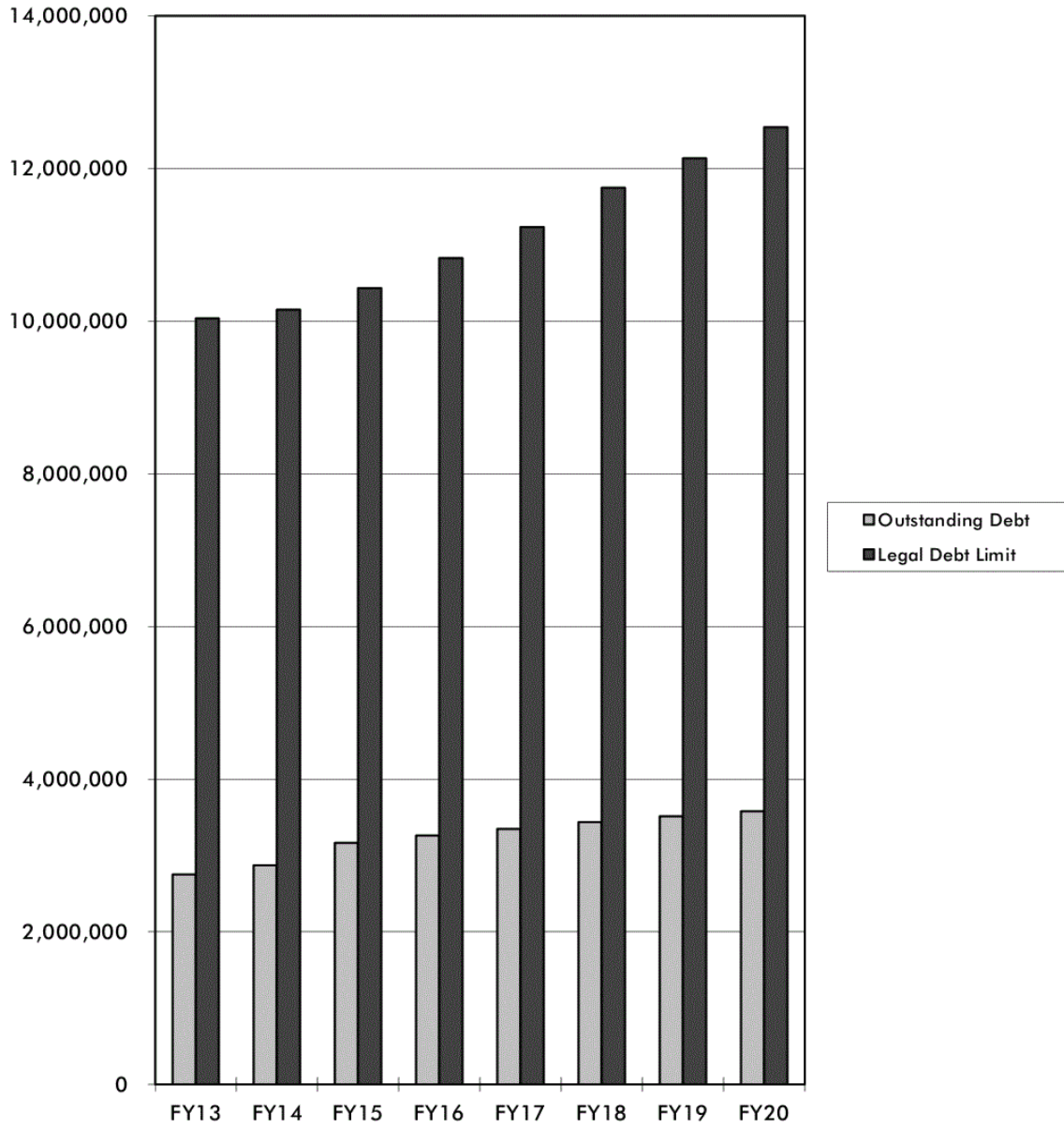
**Projected Debt Obligations
Schedule of Principal & Interest
FY16 Recommended Budget**

FUND	Principal	Interest	Total
Debt Service Fund	228,839,522	138,719,343	367,558,865
Liquor Control (Section 65)	5,884,100	5,118,500	11,002,600
Montgomery Housing Initiative	43,000	20,480	63,480
Bethesda Parking Lot District (Section 46)	3,245,000	1,715,920	4,960,920
Total	238,011,622	145,574,243	383,585,865

General Obligation Bonds Outstanding by Bond Category
(\$000s)
Total \$2,370,500 as of June 30, 2014



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



DEBT CAPACITY ANALYSIS									
FY15-20 Amended Capital Improvements Program									
COUNTY EXECUTIVE RECOMMENDED									
MARCH 16, 2015									
GO BOND 6 YR TOTAL = 1,947.0 MILLION									
GO BOND FY15 TOTAL = 299.5.0 MILLION									
GO BOND FY16 TOTAL = 324.5 MILLION									
	FY14	FY15	FY16	FY17	FY18	FY19	FY20		
1 GO Bond Guidelines (\$000)	295,000	299,500	324,500	327,000	332,000	332,000	332,000		
2 GO Debt/Assessed Value	1.76%	1.87%	1.86%	1.84%	1.80%	1.78%	1.76%		
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	10.31%	11.40%	11.25%	11.88%	11.69%	11.71%	11.90%		
4 \$ Debt/Capita	2,845	3,101	3,167	3,225	3,282	3,327	3,355		
5 \$ Real Debt/Capita (FY14=100%)	2,845	3,039	3,044	3,033	3,016	2,982	2,925		
6 Capita Debt/Capita Income	3.70%	3.82%	3.91%	3.85%	3.83%	3.81%	3.73%		
7 Payout Ratio	68.62%	67.41%	67.81%	68.27%	68.73%	69.60%	70.44%		
8 Total Debt Outstanding (\$000s)	2,870,500	3,162,750	3,259,180	3,347,715	3,435,845	3,513,100	3,579,665		
9 Real Debt Outstanding (FY14=100%)	2,870,500	3,099,824	3,132,315	3,148,145	3,157,452	3,148,783	3,121,056		
10 Note: OP/PSP Growth Assumption (2)		3.0%	3.9%	3.2%	3.4%	3.1%	2.8%		

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 FY15 approved budget to FY16 budget for FY16 and budget to budget for FY17-20.

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY15-20 Amended Capital Improvements Program

CE RECOMMENDED

March 16, 2015

(\$ millions)	6 YEARS	FY15	FY16	FY17	FY18	FY19	FY20
BONDS PLANNED FOR ISSUE	1,947.000	299.500	324.500	327.000	332.000	332.000	332.000
Plus PAYGO Funded	194.700	29.950	32.450	32.700	33.200	33.200	33.200
Adjust for Implementation **	136.077	46.903	18.487	18.188	18.003	17.512	16.983
Adjust for Future Inflation **	(82.247)	-	-	(7.743)	(15.998)	(24.615)	(33.891)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,195.530	376.353	375.437	370.145	367.205	358.097	348.292
Less Set Aside: Future Projects	110.257	0.929	14.648	18.324	19.099	19.290	37.967
	5.02%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	2,085.272	375.424	360.789	351.821	348.106	338.807	310.325
MCPS	(772.762)	(119.158)	(138.761)	(136.484)	(153.119)	(124.107)	(101.133)
MONTGOMERY COLLEGE	(153.700)	(37.570)	(20.427)	(30.663)	(25.817)	(12.452)	(26.771)
M-NCPPC PARKS	(67.788)	(9.789)	(11.103)	(13.135)	(12.677)	(11.222)	(9.862)
TRANSPORTATION	(608.312)	(105.073)	(78.496)	(78.212)	(96.334)	(122.492)	(127.705)
MCG - OTHER	(558.151)	(161.048)	(122.849)	(98.256)	(62.476)	(68.668)	(44.854)
Programming Adjustment - Unspent Prior Years*	75.441	57.214	10.847	4.929	2.317	0.134	-
SUBTOTAL PROGRAMMED EXPENDITURES	(2,085.272)	(375.424)	(360.789)	(351.821)	(348.106)	(338.807)	(310.325)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		2.03%	1.98%	2.20%	2.33%	2.53%	2.80%
Implementation Rate =		86.46%	94.61%	94.61%	94.61%	94.61%	94.61%