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# Debt Service

## MISSION STATEMENT

This section provides budget data for the repayment of general obligation bond issues, and other long- 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 DHCA Property Acquisition Fund is also included.

## BUDGET OVERVIEW

The total approved FY09 Operating Budget for Debt Service is \$249,829,100 an increase of \$9,578,390 or 4.0 percent from the FY08 approved budget of \$240,250,710. This amount includes long-term lease expenditures of \$15,613,350, short-term financing of \$1,432,100 and other long-term debt of \$2,185,670. The budget excludes \$76,870 in debt service which is appropriated in a non-tax supported fund.

### **FY09 Approved Changes**

The Debt Service appropriation increase of 4.0 percent is mostly due to the planned issues of FY08 General Obligation (G.O.) bond issue of \$250.0 million, Property Acquisition Fund debt of \$25.0 million and an increase in Fire and Rescue Equipment financing costs.

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 52.4 percent of the County's capital expenditures for the six years of the Approved FY09-14 CIP. Other long-term debt includes financing for the Silver Spring Music Venue and the DHCA Property Acquisition Fund.

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 financings, 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.

The FY09 Debt Service budget is predicated on the bond issue requirements in the Approved CIP, adjusted for inflation, and implementation of the capital program at a projected 87.5 percent rate for FY09-10 and a projected 90 percent rate for FY11-14. An interest cost of 5.5 percent was budgeted for the Summer 2008 issue. Projected interest rates for bond issues for FY09 through FY14 are based on an econometric model which forecasts little change in interest rates after FY08. Under these projections and assumptions, total Debt Service will increase from \$249.8 million in FY09 to \$364.2 million by FY14.

## PROGRAM CONTACTS

Contact Glenn Wyman of the Department of Finance at 240.777.8929 or Jacqueline Carter of the Office of Management and Budget at 240.777.2771 for more information regarding this department's operating budget.

# BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Approved FY09	% Chg Bud/App
<b>DEBT SERVICE</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	112,134	0	0	0	—
Debt Service G.O. Bonds	0	226,476,320	225,241,100	230,597,980	1.8%
Debt Service Other	219,323,905	13,003,970	12,987,590	17,381,120	33.7%
Capital Outlay	0	0	0	0	—
<b>Debt Service Expenditures</b>	<b>219,436,039</b>	<b>239,480,290</b>	<b>238,228,690</b>	<b>247,979,100</b>	<b>3.5%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>REVENUES</b>					
Street Assessments	169	0	0	0	—
BAN/Comm Paper Investment Income: Pooled	2,209,468	4,500,000	3,500,000	2,700,000	-40.0%
Accrued Interest: Installment Notes, I&P	80,492	0	0	0	—
Accrued Interest: Bonds Non-Pooled	300,972	575,000	575,000	575,000	—
<b>Debt Service Revenues</b>	<b>2,591,101</b>	<b>5,075,000</b>	<b>4,075,000</b>	<b>3,275,000</b>	<b>-35.5%</b>
<b>DEBT SERVICE - NON-TAX SUPPORTED</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	0	0	0	0	—
Debt Service Other	0	770,420	770,420	1,850,000	140.1%
Capital Outlay	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Expenditures</b>	<b>0</b>	<b>770,420</b>	<b>770,420</b>	<b>1,850,000</b>	<b>140.1%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>219,436,039</b>	<b>240,250,710</b>	<b>238,999,110</b>	<b>249,829,100</b>	<b>4.0%</b>
<b>Total Full-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total Part-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total Workyears</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>—</b>
<b>Total Revenues</b>	<b>2,591,101</b>	<b>5,075,000</b>	<b>4,075,000</b>	<b>3,275,000</b>	<b>-35.5%</b>

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

	Actual FY06	Actual FY07	Budget FY08	Estimated FY08	Approved FY09	% Chg Rec/Bud	Rec % GO Bonds
<b>GO BOND DEBT SERVICE EXPENDITURES</b>							
General County	24,460,186	26,233,739	27,498,810	27,240,420	28,093,870		12.3%
Roads & Storm Drains	48,415,800	51,846,170	53,900,920	53,963,090	56,963,150		24.9%
Public Housing	281,544	265,999	250,420	250,420	175,010		0.1%
Parks	6,526,972	6,772,021	7,255,290	7,270,250	7,798,110		3.4%
Public Schools	88,421,768	96,350,665	109,707,010	110,116,950	115,136,940		50.3%
Montgomery College	6,012,792	6,815,147	7,891,260	7,755,130	9,157,530		4.0%
Bond Anticipation Notes/Commercial Paper	4,675,356	6,784,398	8,100,000	6,700,000	3,800,000		
Bond Refunding	-	-	-	(282,000)	(3,030,000)		
Cost of Issuance: General Fund	915,831	801,172	1,005,210	1,005,210	1,032,350		
<b>Total General Fund</b>	<b>179,710,249</b>	<b>195,869,311</b>	<b>215,608,920</b>	<b>214,019,470</b>	<b>219,126,960</b>	<b>1.6%</b>	<b>95.0%</b>
Fire Tax District Fund	2,729,950	3,396,710	3,624,800	3,583,440	4,176,900	15.2%	1.8%
Mass Transit Fund	3,011,246	2,482,762	2,328,860	2,327,650	2,259,520	-3.0%	1.0%
Recreation Fund	4,611,661	4,989,515	4,874,680	5,271,480	4,995,540	2.5%	2.2%
Bradley Noise Abatement Fund	32,641	31,383	30,120	30,120	30,120	0.0%	0.0%
Cabin John Noise Abatement Fund	9,683	9,312	8,940	8,940	8,940	0.0%	0.0%
<b>Total Tax Supported Other Funds</b>	<b>10,395,181</b>	<b>10,909,682</b>	<b>10,867,400</b>	<b>11,221,630</b>	<b>11,471,020</b>	<b>5.6%</b>	<b>5.0%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>190,105,430</b>	<b>206,778,993</b>	<b>226,476,320</b>	<b>225,241,100</b>	<b>230,597,980</b>	<b>1.8%</b>	<b>100.0%</b>
<b>Non-Tax Supported</b>							
Solid Waste Disposal Fund	55,156	2,711	2,540	2,540	-	-100.0%	0.0%
<b>Total Non-Tax Supported</b>	<b>55,156</b>	<b>2,711</b>	<b>2,540</b>	<b>2,540</b>	<b>0</b>	<b>-100.0%</b>	<b>0.0%</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>190,160,586</b>	<b>206,781,704</b>	<b>226,478,860</b>	<b>225,243,640</b>	<b>230,597,980</b>	<b>1.8%</b>	<b>100.0%</b>
<b>LONG-TERM LEASE EXPENDITURES</b>							
Revenue Authority - Conference Center	2,212,915	2,211,269	2,216,070	2,216,070	2,210,660		
Revenue Authority - HHS Piccard Drive	620,993	633,198	633,490	633,490	632,700		
Silver Spring Garages	5,858,988	5,862,366	5,591,010	5,591,010	5,553,520		
Revenue Authority - Recreation Pools	3,100,172	3,067,994	3,041,800	3,041,800	2,662,970		
Fire and Rescue Equipment	-	-	650,000	633,620	4,553,500		
Liquor Control Warehouse - (Non-tax supported)	-	-	770,420	770,420	-		
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>11,793,068</b>	<b>11,774,827</b>	<b>12,902,790</b>	<b>12,886,410</b>	<b>15,613,350</b>		
<b>SHORT-TERM LEASE EXPENDITURES</b>							
Technology Modernization Project	-	-	-	-	560,500		
Short Term Financing - Public Safety Radio	10,220,100	-	-	-	-		
Short Term Financing - Kay Property	858,887	882,219	871,600	871,600	871,600		
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>11,078,987</b>	<b>882,219</b>	<b>871,600</b>	<b>871,600</b>	<b>1,432,100</b>		
<b>OTHER LONG-TERM DEBT</b>							
Silver Spring Music Venue - Tax supported	-	-	-	-	335,670		
MICRF Loan - Tax supported	55,180	-	-	-	-		
MHI-HUD Loan - Non-Tax supported	80,304	79,412	78,260	78,260	76,870		
MHI - Property Acquisition Fund - Non-tax supported	-	-	-	-	1,850,000		
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>135,484</b>	<b>79,412</b>	<b>78,260</b>	<b>78,260</b>	<b>2,262,540</b>	<b>2791.1%</b>	
<b>DEBT SERVICE EXPENDITURES</b>							
<b>Tax Supported</b>	<b>213,032,665</b>	<b>219,436,039</b>	<b>239,480,290</b>	<b>238,228,690</b>	<b>247,979,100</b>		
<b>Non-Tax supported - Long-Term Leases</b>	<b>-</b>	<b>-</b>	<b>770,420</b>	<b>770,420</b>	<b>0</b>		
<b>Non-Tax supported - Other &amp; GO Bond Debt</b>	<b>135,460</b>	<b>82,123</b>	<b>80,800</b>	<b>80,800</b>	<b>1,926,870</b>		
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>213,168,125</b>	<b>219,518,162</b>	<b>240,331,510</b>	<b>239,079,910</b>	<b>249,905,970</b>	<b>4.0%</b>	
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>							
General Funds	175,105,669	193,168,912	210,533,920	209,944,470	215,851,960		
Accrued Interest: GO Bonds-Non Pooled	290,278	300,972	575,000	575,000	575,000		
Accrued Interest: GO Refunding Bonds	451,331	-	-	-	-		
Accrued Interest: Installmt Notes, I&P, Street Assessmts	42,479	80,492	-	-	-		
BAN/Commercial Paper Investment Income	2,941,977	2,209,468	4,500,000	3,500,000	2,700,000		
Special Street Assessments	40,798	169	-	-	-		
<b>Total General Fund Sources</b>	<b>178,872,532</b>	<b>195,760,013</b>	<b>215,608,920</b>	<b>214,019,470</b>	<b>219,126,960</b>		
Fire Tax District Funds	2,758,039	3,514,976	3,624,800	3,583,440	4,176,900		
Mass Transit Fund	3,009,912	2,480,147	2,328,860	2,327,650	2,259,520		
Recreation Fund	4,607,795	4,983,162	4,874,680	5,271,480	4,995,540		
Bradley Noise Abatement Fund	32,641	31,383	30,120	30,120	30,120		
Cabin John Noise Abatement Fund	9,683	9,312	8,940	8,940	8,940		
Solid Waste Disposal Fund	55,156	2,711	2,540	2,540	-		
Capital Projects Fund	814,828	0	-	-	-		
<b>Total Other Funding Sources</b>	<b>11,288,054</b>	<b>11,021,691</b>	<b>10,869,940</b>	<b>11,224,170</b>	<b>11,471,020</b>		
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>190,160,586</b>	<b>206,781,704</b>	<b>226,478,860</b>	<b>225,243,640</b>	<b>230,597,980</b>		
<b>NON GO BOND FUNDING SOURCES</b>							
General Funds	19,771,883	9,589,052	9,312,170	9,312,170	10,164,650		
MHI Fund - HUD Loan	80,304	79,412	78,260	78,260	76,870		
MHI Fund - Property Acquisition Fund	-	-	-	-	1,850,000		
Liquor Control Fund	-	-	770,420	770,420	-		
Economic Development Fund	55,180	-	-	-	-		
Recreation Fund	3,100,172	3,067,994	3,041,800	3,041,800	2,662,970		
Fire Tax District Fund	-	-	650,000	633,620	4,553,500		
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>23,007,539</b>	<b>12,736,458</b>	<b>13,852,650</b>	<b>13,836,270</b>	<b>19,307,990</b>		
<b>TOTAL FUNDING SOURCES</b>	<b>213,168,125</b>	<b>219,518,162</b>	<b>240,331,510</b>	<b>239,079,910</b>	<b>249,905,970</b>		
<b>TRANSFERS</b>							
FROM: RSF Investment Income	4,719,842	6,175,154	6,161,852	4,785,900	2,991,190		
TO: CIP - PAYGO	4,719,842	6,175,154	6,161,852	4,785,900	2,991,190		
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>							
Actual and Estimated Bond Sales	200,000,000	200,000,000	-	250,000,000	-		
Council SAG Approved Issues	-	-	275,000,000	275,000,000	300,000,000		

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

	Approved FY09	Projected FY10	Projected FY11	Projected FY12	Projected FY13	Projected FY14
<b>GO BOND DEBT SERVICE EXPENDITURES</b>						
General County	28,093,870	32,482,250	36,732,120	40,332,050	40,154,520	41,483,490
Roads & Storm Drains	56,963,150	58,745,700	61,272,490	66,385,800	73,390,610	76,894,630
Public Housing	175,010	108,320	34,920	0	-	-
Parks	7,798,110	8,969,420	9,577,640	10,644,440	11,820,520	12,734,310
Public Schools	115,136,940	123,674,230	129,060,780	135,351,110	146,560,930	155,682,490
Montgomery College	9,157,530	12,224,810	15,210,080	15,593,090	16,509,690	19,072,390
Bond Anticipation Notes/Commercial Paper	3,800,000	6,000,000	7,200,000	8,400,000	8,900,000	9,500,000
Bond Refunding	(3,030,000)	-	-	-	-	-
Cost of Issuance	1,032,350	1,060,220	1,088,850	1,118,250	1,148,440	1,148,440
<b>Total General Fund</b>	<b>219,126,960</b>	<b>243,264,950</b>	<b>260,176,880</b>	<b>277,824,740</b>	<b>298,484,710</b>	<b>316,515,750</b>
Fire Tax District Fund	4,176,900	6,325,040	8,167,710	8,413,680	8,448,280	8,398,860
Mass Transit Fund	2,259,520	2,504,320	2,585,460	2,349,660	2,291,040	2,225,040
Recreation Fund	4,995,540	5,697,620	6,116,670	7,410,260	8,688,450	8,521,600
Bradley Noise Abatement Fund	30,120	28,810	27,500	26,180	24,870	23,550
Cabin John Noise Abatement Fund	8,940	8,560	8,170	7,780	7,390	7,000
<b>Total Tax Supported Other Funds</b>	<b>11,471,020</b>	<b>14,564,350</b>	<b>16,905,510</b>	<b>18,207,560</b>	<b>19,460,030</b>	<b>19,176,050</b>
<b>TOTAL TAX SUPPORTED</b>	<b>230,597,980</b>	<b>257,829,300</b>	<b>277,082,390</b>	<b>296,032,300</b>	<b>317,944,740</b>	<b>335,691,800</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>230,597,980</b>	<b>257,829,300</b>	<b>277,082,390</b>	<b>296,032,300</b>	<b>317,944,740</b>	<b>335,691,800</b>
<b>LONG-TERM LEASE EXPENDITURES</b>						
Revenue Authority - Conference Center	2,210,660	1,903,290	1,901,650	1,903,900	995,440	993,190
Revenue Authority - HHS Piccard Drive	632,700	635,700	632,500	633,040	636,870	638,390
Silver Spring Garages	5,553,520	5,590,330	5,544,320	5,554,170	5,574,900	5,561,400
Revenue Authority - Recreation Pools	2,662,970	2,664,820	2,325,820	2,325,680	2,323,020	1,834,050
Fire and Rescue Equipment	4,553,500	4,542,000	4,509,230	4,459,480	4,418,350	3,780,600
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>15,613,350</b>	<b>15,336,140</b>	<b>14,913,520</b>	<b>14,876,270</b>	<b>13,948,580</b>	<b>12,807,630</b>
<b>SHORT-TERM LEASE EXPENDITURES</b>						
Technology Modernization Project	560,500	2,982,400	4,251,750	5,198,760	5,662,850	5,662,850
Ride On Buses	-	3,842,200	4,795,900	4,795,900	4,795,900	4,795,900
Short Term Financing - Kay Property	871,600	-	-	-	-	-
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>1,432,100</b>	<b>6,824,600</b>	<b>9,047,650</b>	<b>9,994,660</b>	<b>10,458,750</b>	<b>10,458,750</b>
<b>OTHER LONG-TERM DEBT</b>						
Silver Spring Music Venue - Tax supported	335,670	335,670	335,670	335,670	335,670	335,670
MHI-HUD Loan - Non-Tax supported	76,870	75,300	73,580	71,730	69,770	69,770
Property Acquisition Fund - Non-tax supported	1,850,000	4,320,000	4,940,000	4,940,000	4,940,000	4,940,000
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>2,262,540</b>	<b>4,730,970</b>	<b>5,349,250</b>	<b>5,347,400</b>	<b>5,345,440</b>	<b>5,345,440</b>
<b>DEBT SERVICE EXPENDITURES</b>						
Tax Supported	247,979,100	280,325,710	301,379,230	321,238,900	342,687,740	359,293,850
Non-Tax Supported - Other Long-term Debt	1,926,870	4,395,300	5,013,580	5,011,730	5,009,770	5,009,770
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>249,905,970</b>	<b>284,721,010</b>	<b>306,392,810</b>	<b>326,250,630</b>	<b>347,697,510</b>	<b>364,303,620</b>
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>						
General Funds	215,851,960	239,289,950	255,701,880	272,849,740	293,309,710	311,040,750
Accrued Interest on Bonds - Non-Pooled	575,000	575,000	575,000	575,000	575,000	575,000
BAN/Commercial Paper Investment Income	2,700,000	3,400,000	3,900,000	4,400,000	4,600,000	4,900,000
<b>Total General Fund Sources</b>	<b>219,126,960</b>	<b>243,264,950</b>	<b>260,176,880</b>	<b>277,824,740</b>	<b>298,484,710</b>	<b>316,515,750</b>
Fire Tax District Fund	4,176,900	6,325,040	8,167,710	8,413,680	8,448,280	8,398,860
Mass Transit Fund	2,259,520	2,504,320	2,585,460	2,349,660	2,291,040	2,225,040
Recreation Fund	4,995,540	5,697,620	6,116,670	7,410,260	8,688,450	8,521,600
Bradley Noise Abatement Fund	30,120	28,810	27,500	26,180	24,870	23,550
Cabin John Noise Abatement Fund	8,940	8,560	8,170	7,780	7,390	7,000
Solid Waste Disposal Fund	0	0	0	0	-	-
<b>Total Other Funding Sources</b>	<b>11,471,020</b>	<b>14,564,350</b>	<b>16,905,510</b>	<b>18,207,560</b>	<b>19,460,030</b>	<b>19,176,050</b>
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>230,597,980</b>	<b>257,829,300</b>	<b>277,082,390</b>	<b>296,032,300</b>	<b>317,944,740</b>	<b>335,691,800</b>
<b>NON GO BOND FUNDING SOURCES</b>						
General Funds	10,164,650	11,447,390	12,665,890	13,625,540	13,205,730	13,191,500
MHI Fund - HUD Loan	76,870	75,300	73,580	71,730	69,770	69,770
MHI Fund - Property Acquisition Fund	1,850,000	4,320,000	4,940,000	4,940,000	4,940,000	4,940,000
Mass Transit Fund	-	3,842,200	4,795,900	4,795,900	4,795,900	4,795,900
Recreation Fund	2,662,970	2,664,820	2,325,820	2,325,680	2,323,020	1,834,050
Fire Tax District Fund	4,553,500	4,542,000	4,509,230	4,459,480	4,418,350	3,780,600
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>19,307,990</b>	<b>26,891,710</b>	<b>29,310,420</b>	<b>30,218,330</b>	<b>29,752,770</b>	<b>28,611,820</b>
<b>TOTAL FUNDING SOURCES</b>	<b>249,905,970</b>	<b>284,721,010</b>	<b>306,392,810</b>	<b>326,250,630</b>	<b>347,697,510</b>	<b>364,303,620</b>
<b>TRANSFERS</b>						
FROM: RSF Investment Income	2,991,190	4,187,670	4,785,900	5,384,140	5,680,530	5,878,220
TO: CIP - PAYGO	2,991,190	4,187,670	4,785,900	5,384,140	5,680,530	5,878,220
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>						
Council SAG Approved Issues	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
<b>ESTIMATED INTEREST RATE</b>	<b>6.30%</b>	<b>6.20%</b>	<b>6.15%</b>	<b>6.10%</b>	<b>6.05%</b>	<b>6.00%</b>