
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 FY14 Operating Budget for Debt Service is \$319,683,870 an increase of \$12,038,220 or 3.9 percent from the FY13 approved budget of \$307,645,650. This amount excludes \$67,730 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 51.0 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY13-18 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 4, 2011, the County Council approved SAG limits at \$295.0 million for FY13, \$295.0 million for FY14 and \$1,770.0 million for the FY13-18 period.

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 FY14. 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. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

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, long-term lease obligations 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.

The Montgomery County Revenue Stabilization Fund Law, Article XII, Section 20-71, Interest, required transfer of interest earned on the Fund when the Fund exceeded 50 percent of the maximum Fund size authorized by Section 20-67(a). Interest was transferred to the Debt Service Fund as an offset to the approved issuance of general obligation debt (PAYGO). The interest income earned was transferred from the Revenue Stabilization Fund to the Debt Service Fund and then transferred from the Debt Service Fund to the CIP Fund to offset G.O. bond funding. From FY98 to FY10, the Revenue Stabilization Fund exceeded 50 percent of the maximum Fund size and interest was transferred to the Debt Service Fund. The Revenue Stabilization Fund (Fund) Law was amended effective October 4, 2010 to require that all interest earned on the Fund be added to the Fund.

FY13 Estimated Debt Service

FY13 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$292.9 million which is lower than the budget of \$298.8 million due in part to G.O. bond refunding savings.

FY14 Recommended Debt Service Budget

The FY14 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through October 2012) plus the following:

- A fall 2013 (FY14) issue of \$295 million at an interest cost of 5.5 percent for 20 years with even principal payments.
- Interest expense based on an anticipated average BANs/commercial paper balance of \$400.0 million during FY14.
- Other short- and long-term financing obligations displayed in a chart at the end of the section.

Fall bond issues are expected to continue in FY14 through FY19. The favorable short-term interest on commercial paper is offset by investment income earned by BANs/commercial paper funds prior to their required use for project expenditures.

The Debt Service assumptions discussed above result in a total FY14 Debt Service requirement for tax supported funds of \$309.2 million, which is a 3.5 percent increase from the FY13 budget of \$298.8 million. The General Fund appropriation requirement is \$267.5 million, or 3.6 percent more than the budgeted FY13 amount of \$258.2 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 Amended CIP, adjusted for inflation, and implementation of the capital program at a projected 82.3 percent rate for FY13 and 85.4 percent for FY14-FY18. The actual interest cost of 5.5 percent is budgeted for the fall 2013 (FY14) issue. Projected interest rates for bond issues for FY14 through FY19 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 \$309.2 million in FY14 to \$392.6 million by FY19 with the General Fund revenue requirement growing from \$267.5 million in FY14 to \$346.9 million by FY19.

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 FY13-18 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 Amended FY13-18 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY13-18 Amended CIP is included at the end of this section.

Debt Limit

The County's outstanding general obligation debt totals \$2,097,290,000 as of June 30, 2012. 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, 2012, is \$10,289,670,842 based upon the assessed valuation \$162,197,149,758 for all real property and \$3,718,945,710 for personal property. The County's outstanding general obligation debt of \$2,097,290,000 plus outstanding short-term commercial paper of \$500,000,000 is 1.57 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 2012 (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 HOC. Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the MHI fund support the repayment shown in the Debt Service Fund.

The FY14 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.

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.

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.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion. Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved Resolution 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg Village and Clarksburg Skylark. In January 2008, the County Executive transmitted to the Council the Fiscal Report for Clarksburg Village and Clarksburg Skylark recommending the creation of the development districts.

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 FY12	Budget FY13	Estimated FY13	Recommended FY14	% 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	246,257,198	268,928,280	265,585,820	283,663,290	5.5%
Debt Service Other	26,151,699	29,863,760	27,287,700	25,493,180	-14.6%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	272,408,897	298,792,040	292,873,520	309,156,470	3.5%
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	6,278,732	6,278,730	6,128,730	5,778,730	-8.0%
Investment Income	2,242,902	35,000	1,316,720	70,000	100.0%
Miscellaneous Revenues	642,202	0	0	0	—
Debt Service Revenues	9,163,836	6,313,730	7,445,450	5,848,730	-7.4%
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	4,088,162	8,853,610	7,285,740	10,527,400	18.9%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	4,088,162	8,853,610	7,285,740	10,527,400	18.9%
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	276,497,059	307,645,650	300,159,260	319,683,870	3.9%
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	9,163,836	6,313,730	7,445,450	5,848,730	-7.4%

DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT							
	Actual FY11	Actual FY12	Budget FY13	Estimated FY13	Recommended FY14	% Chg App/Bud	App % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	27,003,518	30,543,387	32,551,540	30,955,140	43,669,580		15.7%
Roads & Storm Drains	53,086,858	55,703,984	60,931,310	60,478,450	60,881,770		21.9%
Public Housing	34,920	-	62,080	-	8,430		0.0%
Parks	8,254,747	8,524,688	9,270,320	9,195,140	9,215,400		3.3%
Public Schools	111,502,816	115,105,587	122,423,790	122,137,830	124,466,930		44.7%
Montgomery College	10,912,757	13,544,588	15,129,550	14,912,250	15,783,460		5.7%
Bond Anticipation Notes/Commercial Paper	1,087,898	468,332	1,269,380	836,000	1,255,000		
Bond Anticipation Notes/Liquidity & Remarketing	2,950,530	2,457,131	3,500,000	3,500,000	3,000,000		
Cost of Issuance	1,457,453	1,463,839	1,146,200	1,146,200	1,180,600		
Total General Fund	216,291,497	227,811,536	246,284,170	243,161,010	259,461,170	5.4%	91.3%
Fire Tax District Fund	5,488,984	6,686,464	7,201,560	6,891,430	7,084,290	-1.6%	2.5%
Mass Transit Fund	3,265,863	3,620,529	5,658,860	6,236,260	8,199,410	44.9%	2.9%
Recreation Fund	7,880,932	8,106,417	9,753,140	9,266,570	8,918,420	-8.6%	3.2%
Bradley Noise Abatement Fund	26,179	24,864	23,550	23,550	-	-100.0%	0.0%
Cabin John Noise Abatement Fund	7,776	7,388	7,000	7,000	-	-100.0%	0.0%
Total Tax Supported Other Funds	16,669,734	18,445,662	22,644,110	22,424,810	24,202,120	6.9%	8.7%
TOTAL TAX SUPPORTED	232,961,231	246,257,198	268,928,280	265,585,820	283,663,290	5.5%	100.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	232,961,231	246,257,198	268,928,280	265,585,820	283,663,290	5.5%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	1,901,647	1,903,886	995,440	309,650	645,340		
Revenue Authority - HHS Piccard Drive	632,473	633,038	636,870	636,870	638,690		
Silver Spring Garages	5,544,329	5,554,164	5,574,890	5,070,660	-		
Revenue Authority - Recreation Pools	2,325,813	2,325,680	2,323,020	2,323,020	1,834,050		
Fire and Rescue Equipment	4,509,226	4,459,475	4,418,350	4,418,350	3,780,600		
TOTAL LONG-TERM LEASE EXPENDITURES	14,913,488	14,876,243	13,948,570	12,758,550	6,898,680	-50.5%	
SHORT-TERM LEASE EXPENDITURES / FINANCING							
Technology Modernization Project	3,666,170	4,645,524	5,948,090	5,660,200	6,347,200		
Libraries Phone System Modernization	-	-	-	-	53,000		
Ride On Buses	3,803,104	3,798,450	4,570,460	3,801,650	5,815,700		
Public Safety System Modernization	-	2,186,770	4,373,600	4,373,600	5,519,600		
Fire and Rescue Fuel Management System	-	-	329,340	-	165,000		
TOTAL SHORT-TERM LEASE EXPENDITURES	7,469,274	10,630,744	15,221,490	13,835,450	17,900,500	17.6%	
OTHER LONG-TERM DEBT							
Silver Spring Music Venue - Tax supported	-	244,712	293,700	293,700	294,000		
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000		
MHI-HUD Loan - Non-Tax supported	73,572	71,725	69,770	69,770	67,730		
Water Quality Protection Bonds - Non-Tax supported	-	-	3,210,000	2,876,640	3,017,000		
MHI - Property Acquisition Fund - Non-Tax supported	2,502,130	4,088,162	5,643,610	4,409,100	7,510,400		
TOTAL OTHER LONG-TERM DEBT	2,975,702	4,804,599	9,617,080	8,049,210	11,289,130	17.4%	
DEBT SERVICE EXPENDITURES							
Tax Supported	255,743,993	272,408,897	298,792,040	292,873,520	309,156,470		
Non-Tax Supported - Other Long-term Debt	2,575,702	4,159,887	8,923,380	7,355,510	10,595,130		
TOTAL DEBT SERVICE EXPENDITURES	258,319,695	276,568,784	307,715,420	300,229,030	319,751,600	3.9%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	207,864,998	219,829,713	239,970,440	235,715,560	253,612,440		
Other Interest: Installment Notes, Interest & Penalties	1,054,896	2,225,680	-	1,281,720	-		
BAN/Commercial Paper Investment Income	130,638	17,222	35,000	35,000	70,000		
Federal Subsidy on General Obligation Bonds	5,102,186	6,278,732	6,278,730	6,128,730	5,778,730		
Premium on General Obligation Bonds	3,122,734	642,202	-	-	-		
Total General Fund Sources	217,275,452	228,993,549	246,284,170	243,161,010	259,461,170		
Fire Tax District Funds	5,202,615	6,571,643	7,201,560	6,891,430	7,084,290		
Mass Transit Fund	2,806,196	2,816,245	5,658,860	6,236,260	8,199,410		
Recreation Fund	7,643,013	7,843,508	9,753,140	9,266,570	8,918,420		
Bradley Noise Abatement Fund	26,179	24,864	23,550	23,550	-		
Cabin John Noise Abatement Fund	7,776	7,388	7,000	7,000	-		
Total Other Funding Sources	15,685,779	17,263,648	22,644,110	22,424,810	24,202,120		
TOTAL GO BOND FUNDING SOURCES	232,961,231	246,257,197	268,928,280	265,585,820	283,663,290		
NON GO BOND FUNDING SOURCES							
General Funds	12,144,619	15,568,095	18,222,590	16,744,680	13,897,830		
MHI Fund - HUD Loan	73,572	71,725	69,770	69,770	67,730		
Water Quality Protection Bonds	-	-	3,210,000	2,876,640	3,017,000		
MHI - Property Acquisition Fund	2,502,130	4,088,162	5,643,610	4,409,100	7,510,400		
Mass Transit Fund	3,803,104	3,798,450	4,570,460	3,801,650	5,815,700		
Recreation Fund	2,325,813	2,325,680	2,323,020	2,323,020	1,834,050		
Fire Tax District Fund	4,509,226	4,459,475	4,747,690	4,418,350	3,945,600		
TOTAL NON GO BOND FUNDING SOURCES	25,358,464	30,311,587	38,787,140	34,643,210	36,088,310		
TOTAL FUNDING SOURCES	258,319,695	276,568,784	307,715,420	300,229,030	319,751,600		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	250,000,000	320,000,000	295,000,000	295,000,000	295,000,000		
Council SAG Approved Bond Funded Expenditures	325,000,000	320,000,000	295,000,000	295,000,000	295,000,000		

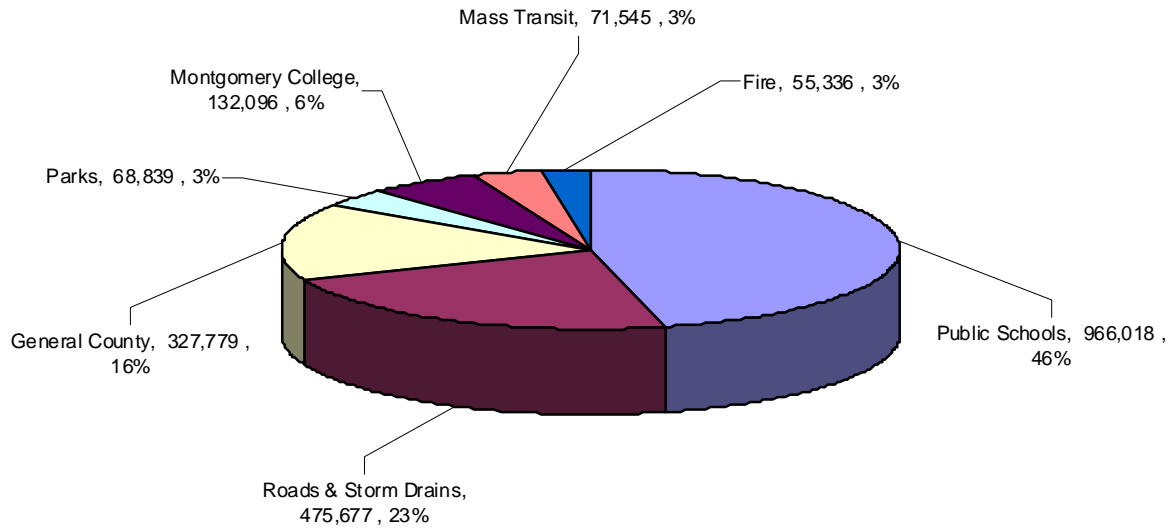
DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES AND OTHER DEBT						
	Recommended FY 14	Projected FY 15	Projected FY 16	Projected FY 17	Projected FY 18	Projected FY 19
GO BOND DEBT SERVICE EXPENDITURES						
General County	43,669,580	48,421,790	55,935,540	61,255,510	62,650,620	66,697,520
Roads & Storm Drains	60,881,770	67,997,100	67,274,180	69,643,830	74,099,080	80,449,470
Public Housing	8,430	31,710	30,870	30,030	29,190	28,350
Parks	9,215,400	9,857,960	9,325,670	9,763,300	11,061,670	12,007,350
Public Schools	124,466,930	135,692,650	142,814,950	147,841,190	147,030,230	147,577,950
Montgomery College	15,783,460	18,335,990	20,719,880	22,495,400	24,387,610	24,864,630
Bond Anticipation Notes/Commercial Paper	1,255,000	2,807,500	4,578,000	7,149,000	8,662,700	10,073,000
Bond Anticipation Notes/Liquidity & Remarketing	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cost of Issuance	1,180,600	1,212,500	1,244,100	1,277,700	1,312,200	1,347,700
Total General Fund	259,461,170	287,357,200	304,923,190	322,455,960	332,233,300	346,045,970
Fire Tax District Fund	7,084,290	7,835,840	6,816,550	6,976,020	7,543,660	7,809,260
Mass Transit Fund	8,199,410	8,688,350	11,083,080	11,469,960	12,540,860	15,096,680
Recreation Fund	8,918,420	9,832,780	9,162,780	8,953,370	9,040,290	8,821,550
Total Tax Supported Other Funds	24,202,120	26,356,970	27,062,410	27,399,350	29,124,810	31,727,490
TOTAL TAX SUPPORTED	283,663,290	313,714,170	331,985,600	349,855,310	361,358,110	377,773,460
TOTAL GO BOND DEBT SERVICE EXPENDITURES	283,663,290	313,714,170	331,985,600	349,855,310	361,358,110	377,773,460
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	645,340	981,140	985,040	988,540	986,640	989,440
Revenue Authority - HHS Piccard Drive	638,690	638,580	641,520	642,500	-	-
Revenue Authority - Recreation Pools	1,834,050	1,834,300	1,836,050	1,834,050	1,834,450	1,832,250
Fire and Rescue Equipment	3,780,600	3,741,600	3,723,200	3,715,800	3,717,900	-
TOTAL LONG-TERM LEASE EXPENDITURES	6,898,680	7,195,620	7,185,810	7,180,890	6,538,990	2,821,690
SHORT-TERM LEASE EXPENDITURES / FINANCING						
Technology Modernization Project	6,347,200	6,784,200	7,360,200	7,360,200	3,729,000	2,714,500
Libraries Phone System Modernization	53,000	105,000	96,000	86,000	86,000	43,000
Ride On Buses	5,815,700	8,572,200	9,314,800	9,314,200	9,314,200	5,513,000
Public Safety System Modernization	5,519,600	6,665,500	8,957,400	6,770,600	4,583,800	2,291,000
Fire and Rescue Fuel Management System	165,000	643,000	956,000	956,000	956,000	791,000
TOTAL SHORT-TERM LEASE EXPENDITURES	17,900,500	22,769,900	26,684,400	24,487,000	18,669,000	11,352,500
OTHER LONG-TERM DEBT						
Silver Spring Music Venue - Tax supported	294,000	295,610	295,100	290,500	290,800	291,000
Site II Acquisition - Tax supported	400,000	400,000	400,000	400,000	400,000	400,000
MHI-HUD Loan - Non-Tax supported	67,730	65,630	63,500	61,280	59,030	56,730
Water Quality Protection Bonds - Non-Tax supported	3,017,000	3,019,200	3,020,250	7,432,400	7,430,100	7,431,200
MHI - Property Acquisition Fund - Non-Tax supported	7,510,400	7,508,510	7,512,510	7,513,810	7,515,910	7,511,110
TOTAL OTHER LONG-TERM DEBT	11,289,130	11,288,950	11,291,360	15,697,990	15,695,840	15,690,040
DEBT SERVICE EXPENDITURES						
Tax Supported	309,156,470	344,375,300	366,550,910	382,213,700	387,256,900	392,638,650
Non-Tax Supported - Other Long-term Debt	10,595,130	10,593,340	10,596,260	15,007,490	15,005,040	14,999,040
TOTAL DEBT SERVICE EXPENDITURES	319,751,600	354,968,640	377,147,170	397,221,190	402,261,940	407,637,690
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	253,612,440	281,446,470	298,941,190	316,511,960	326,225,300	340,189,970
BAN/Commercial Paper Investment Income	70,000	132,000	275,000	494,000	658,000	786,000
Federal Subsidy on General Obligation Bonds	5,778,730	5,778,730	5,707,000	5,450,000	5,350,000	5,070,000
Total General Fund Sources	259,461,170	287,357,200	304,923,190	322,455,960	332,233,300	346,045,970
Fire Tax District Fund	7,084,290	7,835,840	6,816,550	6,976,020	7,543,660	7,809,260
Mass Transit Fund	8,199,410	8,688,350	11,083,080	11,469,960	12,540,860	15,096,680
Recreation Fund	8,918,420	9,832,780	9,162,780	8,953,370	9,040,290	8,821,550
Total Other Funding Sources	24,202,120	26,356,970	27,062,410	27,399,350	29,124,810	31,727,490
TOTAL GO BOND FUNDING SOURCES	283,663,290	313,714,170	331,985,600	349,855,310	361,358,110	377,773,460
NON GO BOND FUNDING SOURCES						
General Funds	13,897,830	15,870,030	18,735,260	16,538,340	10,076,240	6,728,940
MHI Fund - HUD Loan	67,730	65,630	63,500	61,280	59,030	56,730
Water Quality Protection Bonds	3,017,000	3,019,200	3,020,250	7,432,400	7,430,100	7,431,200
MHI - Property Acquisition Fund	7,510,400	7,508,510	7,512,510	7,513,810	7,515,910	7,511,110
Mass Transit Fund	5,815,700	8,572,200	9,314,800	9,314,200	9,314,200	5,513,000
Recreation Fund	1,834,050	1,834,300	1,836,050	1,834,050	1,834,450	1,832,250
Fire Tax District Fund	3,945,600	4,384,600	4,679,200	4,671,800	4,673,900	791,000
TOTAL NON GO BOND FUNDING SOURCES	36,088,310	41,254,470	45,161,570	47,365,880	40,903,830	29,864,230
TOTAL FUNDING SOURCES	319,751,600	354,968,640	377,147,170	397,221,190	402,261,940	407,637,690
TOTAL GENERAL OBLIGATION BOND SALES						
Estimated Bond Sales	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000
Council SAG Approved Bond Funded Expenditures	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000	295,000,000
ESTIMATED INTEREST RATE	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

**Projected Debt Obligations
Schedule of Principal & Interest
FY14 Recommended Budget**

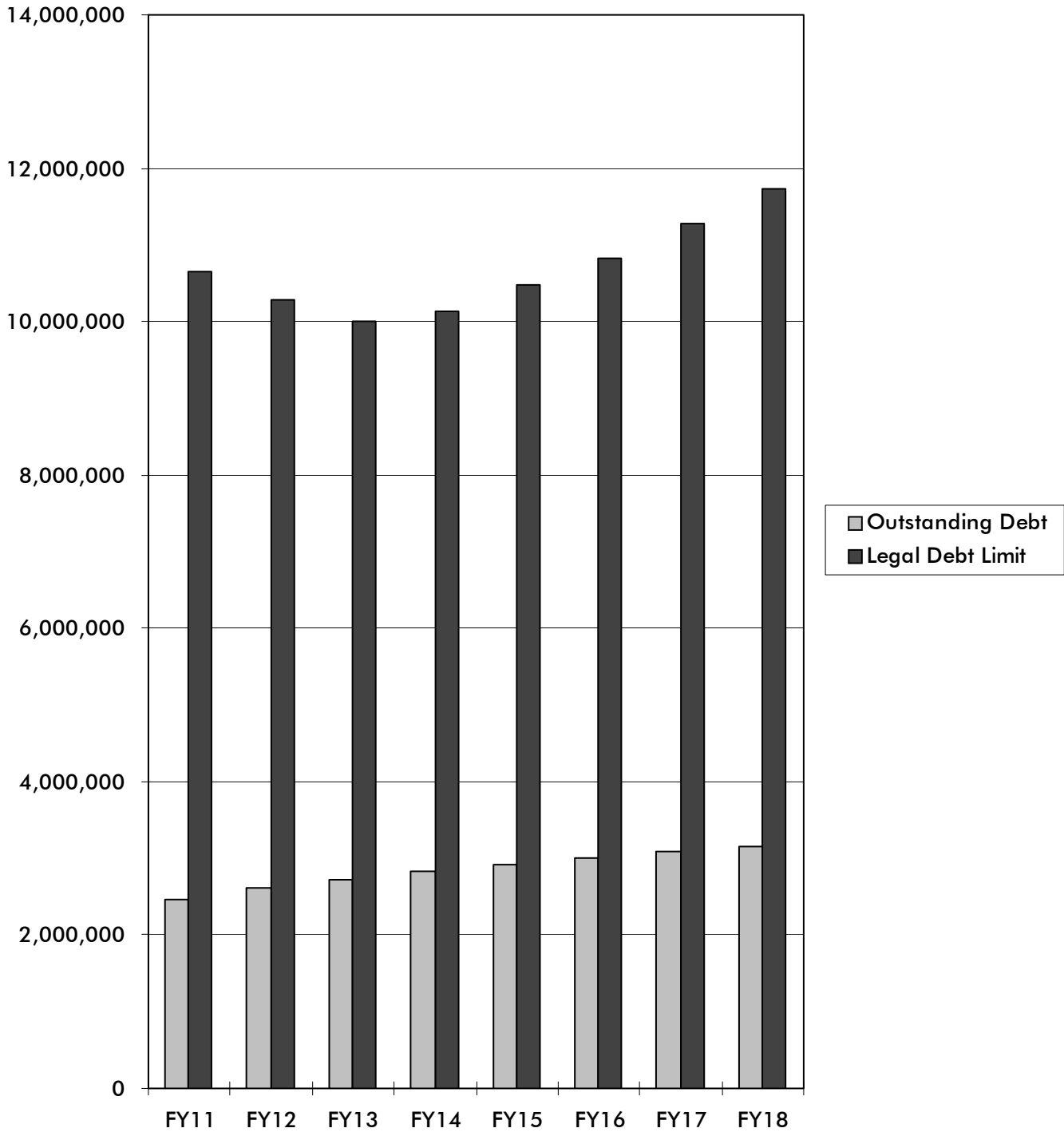
FUND	Principal	Interest	Total
Debt Service Fund	197,087,660	122,596,210	319,683,870
Liquor Control (Section 65)	4,749,500	6,090,700	10,840,200
Montgomery Housing Initiative	43,000	24,730	67,730
Bethesda Parking Lot District (Section 46)	2,100,000	1,910,940	4,010,940
Total	203,980,160	130,622,580	334,602,740

**General Obligation Bonds Outstanding by Bond Category
(\$000s)**

Total \$2,097,290 as of June 30, 2012



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



DEBT CAPACITY ANALYSIS**FY13-18 Biennial Capital Improvements Program****COUNTY EXECUTIVE RECOMMENDED****MARCH 15, 2013****GO BOND 6 YR TOTAL = 1,770.0 MILLION****GO BOND FY13 TOTAL = 295.0 MILLION****GO BOND FY14 TOTAL = 295.0 MILLION**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1 GO Bond Guidelines (\$000)	320,000	295,000	295,000	295,000	295,000	295,000	295,000
2 GO Debt/Assessed Value	1.55%	1.69%	1.73%	1.73%	1.72%	1.69%	1.66%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	10.10%	10.23%	10.37%	11.22%	11.52%	11.57%	11.26%
4 \$ Debt/Capita	2,654	2,726	2,808	2,879	2,937	2,984	3,022
5 \$ Real Debt/Capita (FY12=100%)	2,654	2,655	2,672	2,676	2,657	2,617	2,562
6 Capita Debt/Capita Income	3.57%	3.58%	3.66%	3.55%	3.46%	3.38%	3.31%
7 Payout Ratio	68.22%	68.04%	68.41%	68.76%	69.14%	69.57%	69.96%
8 Total Debt Outstanding (\$000s)	2,597,290	2,722,255	2,832,540	2,923,550	3,010,710	3,088,665	3,157,595
9 Real Debt Outstanding (FY12=100%)	2,597,290	2,650,686	2,695,536	2,716,937	2,723,584	2,708,778	2,676,877
10 Note: OP/PSP Growth Assumption (2)			2.8%	2.6%	3.1%	3.6%	3.8%

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 FY13 approved budget to FY14 budget for FY14 and budget to budget for FY15-18.

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY13-18 Biennial Capital Improvements Program COUNTY EXECUTIVE RECOMMENDED

MARCH 15 2013

(\$ millions)	6 YEARS	FY13	FY14	FY15	FY16	FY17	FY18
BONDS PLANNED FOR ISSUE	1,770.000	295.000	295.000	295.000	295.000	295.000	295.000
Plus PAYGO Funded	281.000	29.500	29.500	55.500	55.500	55.500	55.500
Adjust for Implementation **	300.256	63.314	50.514	49.108	47.550	45.808	43.963
Adjust for Future Inflation **	(91.270)	-	-	(8.215)	(17.311)	(27.486)	(38.258)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,259.987	387.814	375.014	391.393	380.739	368.822	356.205
Less Set Aside: Future Projects 6.79%	153.497	2.981	9.512	19.262	24.399	44.005	53.339
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	2,106.489	384.833	365.502	372.131	356.340	324.817	302.866
MCPS	(740.831)	(174.217)	(142.924)	(114.758)	(126.634)	(97.689)	(84.609)
MONTGOMERY COLLEGE	(167.230)	(28.113)	(31.009)	(30.919)	(32.372)	(32.775)	(12.042)
M-NCPPC PARKS	(70.744)	(7.584)	(8.993)	(11.622)	(12.517)	(16.746)	(13.282)
TRANSPORTATION	(494.021)	(91.892)	(72.259)	(62.411)	(68.309)	(83.478)	(115.672)
MCG - OTHER	(761.565)	(189.938)	(124.761)	(157.432)	(117.221)	(94.631)	(77.582)
Programming Adjustment - Unspent Prior Years*	127.902	106.911	14.444	5.011	0.713	0.502	0.321
	-	-	-	-	-	-	-
SUBTOTAL PROGRAMMED EXPENDITURES	(2,106.489)	(384.833)	(365.502)	(372.131)	(356.340)	(324.817)	(302.866)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart							
** Adjustments Include:							
Inflation =		2.70%	2.32%	2.40%	2.73%	3.15%	3.45%
Implementation Rate =		82.33%	85.38%	85.38%	85.38%	85.38%	85.38%