OFFICIAL STATEMENT DATED APRIL 21, 1999

NEW ISSUE: BOOK-ENTRY ONLY

Fitch IBCA: AAA
Moody's Investors Service: Aaa
Standard and Poor's: AAA
(See "Ratings")

$120,000,000
MONTGOMERY COUNTY, MARYLAND
General Obligation Bonds
Consolidated Public Improvement Bonds of 1999, Series A

Dated: April 1, 1999 **Due: May 1, 2000 – 2019**

The $120,000,000 Montgomery County, Maryland Consolidated Public Improvement Bonds of 1999, Series A (the "Bonds"), are issuable by Montgomery County, Maryland (the "County") in fully registered form in the denomination of $5,000 or any integral multiple thereof. The Bonds will bear interest from April 1, 1999, payable November 1, 1999 (seven months), and semi-annually thereafter on May 1 and November 1 until maturity or earlier redemption. The County will perform the paying agency and registrar services described in this Official Statement; provided that if the book-entry only system is discontinued, the County will appoint a financial institution to perform such services on its behalf (the County and any paying agent/registrar subsequently appointed are hereinafter collectively referred to as the "Paying Agent/Registrar"). Except as otherwise governed by the procedures of The Depository Trust Company, New York, New York ("DTC"), principal of and premium, if any, on the Bonds will be payable to the registered holder when due upon presentation to the Paying Agent/Registrar.

The Bonds are available only in global book-entry form, registered in the name of Cede & Co., as nominee of DTC, acting as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., payment of the principal of, premium if any and interest on the Bonds will be made by the County to DTC. DTC is required to remit such payments to DTC participants, who are required in turn to remit such payments to beneficial owners, as described in this Official Statement. **Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds.**

Bonds maturing on or after May 1, 2010 are subject to redemption at the option of the County, prior to their stated maturities. (See "THE BONDS - Redemption Provisions" herein).

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the County on the date of delivery of the Bonds, and subject to the conditions stated herein under "Tax Exemptions," under existing law, (a) the interest on the Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the Bonds is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. As described herein under "Tax Exemptions," other Federal income tax consequences may arise from ownership of the Bonds. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Bonds or the interest thereon.

DELIVERY: The Bonds are offered for delivery when, as and if issued, subject to the approving legal opinion of Venable, Baetjer and Howard, LLP, Baltimore, Maryland, Bond Counsel, and other conditions specified in the official Notice of Sale for the Bonds. It is expected that the Bonds in definitive form will be available for delivery through DTC in New York, New York, on or about May 5, 1999.

The date of this Official Statement is April 21, 1999.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Maturity Schedule

Maturity May 1,	Amount	Rate	Yield or Price	Maturity May 1,	Amount	Rate	Yield or Price
2000	$6,000,000	4.00%	3.04%	2010	$6,000,000	4.75%	4.35%
2001	6,000,000	4.00%	3.44%	2011	6,000,000	4.75%	4.45%
2002	6,000,000	4.00%	3.48%	2012	6,000,000	4.75%	4.52%
2003	6,000,000	4.00%	3.58%	2013	6,000,000	4.75%	4.57%
2004	6,000,000	4.00%	3.70%	2014	6,000,000	4.75%	4.60%
2005	6,000,000	4.00%	3.85%	2015	6,000,000	4.75%	4.68%
2006	6,000,000	5.00%	4.00%	2016	6,000,000	4.75%	4.73%
2007	6,000,000	5.00%	4.10%	2017	6,000,000	5.00%	4.79%
2008	6,000,000	4.00%	4.10%	2018	6,000,000	5.00%	4.84%
2009	6,000,000	4.10%	4.20%	2019	6,000,000	5.00%	4.85%

(Accrued interest from April 1, 1999 to be added)

The rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds by a group of banks and investment banking firms at public sale on April 13, 1999. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidders and not from the County.

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations concerning the County or its general obligation bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the general obligation bonds described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

TABLE OF CONTENTS

MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS

COUNTY EXECUTIVE

Douglas M. Duncan

COUNTY COUNCIL

Isiah Leggett	*President*
Michael L. Subin	*Vice President*
Phil Andrews	
Derick P. Berlage	
Nancy Dacek	
Blair Ewing	
Betty Ann Krahnke	
Marilyn J. Praisner	
Steven Silverman	

The terms of the Executive and all County Council members expire in December 2002.

APPOINTED OFFICIALS

Bruce Romer	*Chief Administrative Officer*
Charles W. Thompson, Jr.	*County Attorney*
Timothy L. Firestine	*Director, Department of Finance*
Robert K. Kendal	*Director, Office of Management and Budget*
Mary A. Edgar	*Clerk of the County Council*

BOND COUNSEL

Venable, Baetjer and Howard, LLP
Baltimore, Maryland

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP
Washington, DC

DEBT MANAGEMENT AND DISCLOSURE

Department of Finance
101 Monroe Street
Rockville, MD 20850
301/217-2042
301/217-6144 (Fax)

For more information, visit the Department of Finance Home Page at:
http://www.co.mo.md.us/services/finance/

INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is qualified in its entirety by the detailed information contained in this Official Statement. This summary is only a brief description of the offering and potential investors should review this entire Official Statement. The Official Statement speaks only as of its date, and the information contained herein is subject to change.

Issuer:	Montgomery County, Maryland
Issue:	$120,000,000 Consolidated Public Improvement Bonds of 1999, Series A (the "Bonds").
Dated Date:	April 1, 1999.
Security:	The Bonds will be general obligation bonds to which the full faith and credit and unlimited taxing power of the County will be pledged.
Purpose:	The proceeds of the Bonds will be used to provide permanent financing for capital construction projects in the County as described herein (See "DESCRIPTION OF THE BONDS - Purpose").
Authority of Issuance:	The Bonds are issued under the provision of the Montgomery County Charter, Chapter 9 of the Laws of Montgomery County 1955, as amended, Chapters 10 and 32 of the Laws of Montgomery County 1995, Chapters 8 and 32 of the Laws of Montgomery County 1997, Chapter 19 of the Laws of Montgomery County 1998, and Orders of the County Executive of Montgomery County, Maryland, passed on March 30, 1999, as supplemented.
Redemption:	Bonds maturing on or after May 1, 2010, are subject to redemption prior to maturity, beginning May 1, 2009, at the option of the County, either as a whole or in part at any time thereafter. (See "DESCRIPTION OF THE BONDS - Redemption Provisions").
Denominations:	$5,000 or integral multiples thereof.
Paying Agent/Registrar:	The County will perform the paying agency and registrar services described in this Official Statement; provided that, if the book-entry only system is discontinued, the County will appoint a financial institution to perform such services on its behalf (the County and any paying agent/registrar subsequently appointed are hereinafter collectively referred to as the "Paying Agent/Registrar").
Principal Payments:	Annually, May 1, 2000-2019.
Interest Payments:	Payable on November 1, 1999 (seven months), and semi-annually thereafter on May 1 and November 1 until maturity or earlier redemption.
Tax Status:	Generally exempt from federal and state income taxes (see "THE BONDS - Tax Exemptions").
Book-Entry Only:	The Bonds will be issued as book-entry only securities through The Depository Trust Company, New York, New York.

Professional Consultants:	*Bond Counsel*:	Venable, Baetjer and Howard, LLP Baltimore, Maryland
	Independent Public Accountants:	Arthur Andersen LLP Washington, DC

Delivery: Expected on or about May 5, 1999 at the Depository Trust Company, New York, New York, on behalf of the purchaser of the Bonds.

Limitations on Offering or Reoffering Securities: No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations other than those contained in the Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Litigation: There is no litigation now pending or, to the knowledge of County officials, threatened which questions the validity of the Bonds or of any proceedings of the County taken with respect to the issuance or sale thereof.

Continuing Disclosure: The County will covenant to provide continuing disclosure.

Additional details concerning the sale of the Bonds and the projects to be financed thereby are contained in Executive Orders of the County Executive of Montgomery County, Maryland, passed on March 30, 1999, as supplemented, copies of which can be obtained as described herein under the caption "INFORMATION IN OFFICIAL STATEMENT".

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12" or "Rule"), to comply with the requirements of paragraph (b) (5) of Rule 15c2-12, the County will execute and deliver a Continuing Disclosure Agreement on or before the date of issuance and delivery of the Bonds, the form of which is attached to this Official Statement as Appendix D. See "CONTINUING DISCLOSURE UNDERTAKING."

The Official Statement is in a form deemed final as of its date for purposes of Rule 15c2-12, but is subject to minor revision or amendment in accordance with the Rule. Not later than seven business days following the award of the Bonds, the County shall provide copies of the Final Official Statement, as that term is used in the Rule, to the purchaser of the Bonds.

The initial purchaser of the bonds will be supplied with Final Official Statements in a quantity sufficient to meet its request. Up to 600 copies of the Final Official Statement will be furnished to the purchaser without cost.

The information set forth herein has been obtained from the County and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized.

DESCRIPTION OF THE BONDS

Purpose of the Bonds

The proceeds of the Bonds will be used to finance the acquisition, construction and equipping of certain public facilities. Substantially all of the proceeds of the Bonds will be used to pay at maturity a portion of the County's Consolidated Commercial Paper Bond Anticipation Notes, 1995 Series.

The proceeds of the sale of the Bonds will be used to provide permanent financing of capital construction projects as follows: General County ($26,100,000), to construct, renovate or replace public libraries, fire, police, and other public safety facilities, County-owned office space, parks, and County-owned recreation facilities, to include site preparation; Road and Storm Drainage ($26,000,000), to construct, reconstruct and widen state and county roads and bridges and storm drainage facilities; Public Schools and Community College ($67,000,000), to construct new elementary and secondary public schools or additions to existing public school buildings, to perform scheduled renovations of existing schools, and to renovate existing community college campus buildings and facilities to include modification for energy efficiency and handicapped access; and Mass Transit Facilities ($900,000), to construct equipment maintenance and operation facilities, certain commuter parking facilities and stations, and to pay contributions under agreements with the Washington Suburban Transit District.

Security for the Bonds

The Bonds are general obligation bonds of the County and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. Such bonds are payable from ad valorem taxes, unlimited as to rate or amount, on all real, tangible personal and certain intangible property subject to taxation at full rates for local purposes in the County.

Additionally, Section 312 of the Charter of Montgomery County, Maryland provides as follows: "...If at any time the Council shall have failed to appropriate and to make available sufficient funds to provide for the timely payment of the interest and principal then due upon all County indebtedness, it shall be the duty of the Director of Finance to pay, or to make available for payment, to the holders of such indebtedness from the first revenues thereafter received applicable to the general funds of the County, a sum equal to such interest and principal."

Authority for the Bonds

The Bonds are consolidated pursuant to a Resolution of the County Council for Montgomery County, Maryland (the "County Council"), adopted on August 4, 1998, and effective on November 12, 1998, in accordance with the provisions of Section 2C of Article 31 of the Annotated Code of Maryland (1997 Replacement Volume and 1998 Cumulative Supplement).

The Bonds are issued under the provisions of the Montgomery County Charter, Chapter 9 of the Laws of Montgomery County 1955, as amended, Chapters 10 and 32 of the Laws of Montgomery County 1995, Chapters 8 and 32 of the Laws of Montgomery County 1997, and Chapter 19 of the Laws of Montgomery County 1998, and are authorized to be issued by Orders of the County Executive of Montgomery County, Maryland, passed on March 30, 1999, as supplemented.

Redemption Provisions

<u>Optional Redemption</u>. The Bonds which mature on or before May 1, 2009, are not subject to redemption prior to their maturities. The Bonds which mature on or after May 1, 2010, are subject to redemption beginning May 1, 2009, as a whole or in part at any time thereafter, in any order of their maturities, at the option of the County, at a redemption price for each Bond redeemed expressed as a percentage of the principal amount of the Bond to be redeemed, set forth in the table below, together with interest accrued to the date fixed for redemption:

Redemption Period (both dates inclusive)	Redemption Price
May 1, 2009 to April 30, 2010	101.0%
May 1, 2010 to April 30, 2011	100.5%
May 1, 2011 and thereafter	100.0%

If less than all of the Bonds of any one maturity are called for redemption, the particular Bonds to be redeemed from such maturity shall be selected by the Paying Agent/Registrar by lot or other random means in such manner as the Paying Agent/Registrar in its sole discretion may determine. In selecting Bonds for redemption, the Paying Agent/Registrar shall treat each Bond as representing that number of Bonds which is equal to the principal amount of such Bond divided by $5,000.

If the County elects to redeem all or a portion of the Bonds outstanding, it shall give a redemption notice to the registered owners of the Bonds to be redeemed by publication at least once, at least thirty (30) days prior to the date of redemption, in a newspaper of general circulation in the County and also in a financial newspaper or journal circulating in the City of New York, New York. The County shall also give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Bonds to be redeemed at their last addresses appearing on the registration books maintained by the Paying Agent/Registrar; provided, however, that the failure to mail such notice with respect to a particular Bond or any defect in such notice, or in the mailing thereof, shall not affect the sufficiency of proceedings for the redemption of any other Bond. So long as DTC or its nominee is the sole registered owner of the Bonds, any redemption notice shall be given only to DTC. From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Bonds designated for redemption shall cease to bear interest.

Notwithstanding the foregoing, so long as the Bonds are maintained under a book-entry system, selection of the Bonds to be redeemed shall be made in the manner described below under "BOOK-ENTRY ONLY SYSTEM" and notice of redemption shall be mailed only to DTC.

Book-Entry Only System

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC or Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Paying Agent/Registrar, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

NEITHER THE COUNTY, NOR THE PAYING AGENT/REGISTRAR, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

DTC is currently supporting Year 2000 testing. A home page on the Internet has been established by DTC at www.dtc.org where notices and other information regarding DTC's Year 2000 project progress will be made available to Internet users regarding DTC Year 2000 issues.

RATINGS

Rating reviews for this issue have been requested from Fitch IBCA, Moody's Investors Service, Inc., and Standard & Poor's Rating Group, respectively. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

TAX EXEMPTIONS

In the opinion of Bond Counsel, under existing law, the interest on the Bonds (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain requirements that must be met subsequent to the issuance of the Bonds in order for the interest on the Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the County will execute and deliver a Tax Certificate and Compliance Agreement ("Tax Agreement") on the date of delivery of the Bonds. The covenants and agreements in the Tax Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, the covenants and agreements in the Tax Agreement are sufficient to meet the requirements (to the extent applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, "adjusted current earnings" would include, among other items, interest on the Bonds. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign corporations operating branches in the United States, and such earnings and profits would include interest on the Bonds.

Other Federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from April 1, 1999, to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount for Federal income tax purposes ("OID"). The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Bonds.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from OID on the Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible Federal income tax consequences arising from OID on the Bonds under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Bonds and the profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Bonds or the interest thereon.

LEGALITY OF THE BONDS

The authorization, sale, issuance and delivery of the Bonds will be subject to legal approval by Venable, Baetjer and Howard, LLP, of Baltimore, Maryland, Bond Counsel, and copies of their unqualified approving legal opinion with respect to the Bonds will be delivered upon request, without charge, to the successful bidder for the Bonds. The opinion will be substantially in the form of the draft opinion attached to this Official Statement as Appendix C.

LITIGATION

The County is currently processing numerous claims for damages and is also a defendant in a number of lawsuits which are expected to be paid, when applicable, through its self-insurance program. Management and legal counsel believe that the self-insurance program is adequately funded to cover such claims and lawsuits to be paid out of the program. In addition to (i) suits arising out of the County's self-insurance program and (ii) other suits in which claims for liability do not exceed $250,000 each, and which are adequately and completely covered by commercial insurance, the County is currently a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits and actions arising in the normal course of business.

In the opinion of the County Attorney, the estimated total ultimate liability of the County arising from the aforementioned claims and suits should not exceed $10,150,000; but, in any event, none of such claims and suits will materially affect the County's ability to perform its obligations to the holders of its bonds.

INDEPENDENT PUBLIC ACCOUNTANTS

The audited general purpose financial statements of the County included in Appendix B to this Official Statement have been audited by Arthur Andersen LLP ("AA"), independent public accountants, as indicated in their reports with respect thereto. In those reports, that firm states that with respect to certain of the County's component units, its opinion is based on the reports of other independent public accountants. The report of AA is qualified with respect to any adjustments which might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures made by the County in accordance with Governmental Accounting

Standards Board Technical Bulletin No. 98-1, Disclosures about Year 2000 Issues. The report of AA also contains an explanatory paragraph which states that AA did not audit certain identified supplementary information and expressed no opinion thereon. Such audited general purpose financial statements have been included in reliance upon the authority of said firm as experts in giving said reports.

CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer and the Director of Finance of the County will furnish a certificate to the successful bidders for the Bonds to the effect that, to the best of their knowledge and belief, this Official Statement, as of the date of sale and the date of delivery of the Bonds, is true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact, required to be stated or necessary to be stated, to make such statements, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE UNDERTAKING

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Bonds, the form of which is attached to this Official Statement as Appendix D. Potential purchasers of the Bonds should note that the definition of Reportable Events in Appendix D is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

INFORMATION IN OFFICIAL STATEMENT

All quotations, summaries and explanations in this Official Statement of State and County laws and the Montgomery County Charter do not purport to be complete and reference is made to pertinent provisions of the same for complete statements. Any estimates or opinions herein, whether or not expressly so stated, are intended as such and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date as of which such information is stated or the date hereof. This Official Statement shall not be construed as part of any contract between the County and the purchasers or holders of its bonds. The County has been advised by Venable, Baejter and Howard, LLP, of Baltimore, Maryland, Bond Counsel, in connection with legal statements contained in this Official Statement; however, Bond Counsel has not passed upon or assumed responsibility for the accuracy of the financial statements and economic data contained herein.

Any questions regarding this Official Statement or the Bonds should be directed to Mr. Timothy L. Firestine, Director, Department of Finance, Montgomery County, Maryland, 101 Monroe Street, 15th floor, Rockville, Maryland 20850, Telephone: (301) 217-2042.

YEAR 2000 READINESS DISCLOSURE

The County recognizes the importance of maintaining the integrity of its operating systems as we move into the Year 2000, particularly those systems charged directly with the health and safety of the citizenry, and those operating the day-to-day governmental business. In addition, system problems outside the County government could potentially impact operations.

The Securities and Exchange Commission categorizes Year 2000 issues into three primary aspects: internal; external; and mechanical. The County's response and plan of action for each aspect is outlined below.

Internal – The County formally initiated its Year 2000 Program in November 1996 to ensure that all mission-critical systems with a Year 2000 date problem were identified and corrected prior to January 1, 2000. The Interagency Technology Policy Coordination Committee (ITPCC) leads the Program. The ITPCC is made up of the County's Chief Administrative Officer (CAO) and the heads of the following six governmental agencies: Montgomery County Public Schools, Montgomery Community College, Housing Opportunities Commission of Montgomery County, Montgomery County Revenue Authority, Maryland-National Park and Planning Commission, and Washington Suburban Sanitary Commission.

The County has established the Year 2000 Project Office to coordinate the business and technical efforts of the program. The ITPCC has established a Year 2000 Subcommittee to coordinate funding requirements on an interagency basis. The County has also established an Executive Branch Year 2000 Policy Group, which is comprised of the CAO and six key department heads. The Group is responsible for reviewing progress and resolving issues on a regular basis. Each agency has also organized its own Project Committee and Year 2000 Project Coordinator.

The County's Program employs a systems compliance process involving four principal stages: assessment, remediation, testing, and implementation. Additionally, each project in the Program is classified in one of four risk categories (from highest to lowest): mission-imperative, mission-critical, mission-essential, and mission-enabling. The progress of each project as it moves through the four stages of compliance is monitored on an ongoing basis, and status is reported, generally monthly. The stages of completion of systems, by risk category, as of March 1, 1999, are as follows:

Risk Category	Stages					
	Assessment	Remediate	Test	Implement	Complete	Total
Imperative	7	13	11	10	24	65
Critical	4	18	10	10	27	69
Essential	3	37	17	16	55	128
Enabling	1	3	3	4	18	29
Total #	15	71	41	40	124	291
Total %	5.2%	38.5%		56.3%		

A critical part of the Program is the development of contingency plans to assure continued operation in the event of critical automated systems failure or unforeseen supply chain interruptions. Such plans describe the steps to be taken to ensure the continuity of business processes in the event of a Year 2000-induced system failure. Guidelines and timelines for developing contingency plans were distributed to departments and agencies in September 1998. Metrics and guidelines for contingency plan testing were distributed to departments March 1, 1999. Agency and departmental contingency planning activities are being reviewed by the Year 2000 Project Office. Plans are to be finalized by June 30, 1999 with ongoing maintenance and testing through December 1999.

Cumulative Program appropriations for Year 2000 solutions through FY99, for both the County and other agencies, total $39,178,330. This amount includes supplemental appropriations approved in December 1998.

External – The County's efforts include the compliance assessment of its business partners (e.g., contractors, customers, and other external stakeholders). The business continuity assurance program provides a template for agency use in identifying the most critical business processes and associated business partners. It also initiates contact with business partners, continually assesses the business risk, apprises management of the findings, and plans risk reduction strategies prudently.

As of March 9, 1999, the most up-to-date information available, 2,592 suppliers had been contacted, and 1,563 responses (60.39%) had been received.

The County also continues to actively participate in Y2K awareness and planning forums jointly with community groups (e.g. civic organizations, Chambers of Commerce) and other local governments (e.g. municipalities, regional neighbors and the State) to ensure emergency preparedness in a coordinated and pragmatic manner.

Mechanical – Virtually all County debt, including the Bonds, are or will be issued as "book-entry-only" issues utilizing the services of DTC. DTC has informed the financial community that it believes it has developed and is testing and implementing a debt payment system that will continue to function appropriately with respect to Year 2000 concerns. For more information on DTC's Year 2000 readiness see "THE 1999 BONDS – Book-Entry Only System."

Conclusion – Although minor problems will undoubtedly remain, the County expects to resolve all of its critical Year 2000 problems before January 1, 2000. The County does not expect Year 2000 problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. Nevertheless, the County has no control over the Year 2000 remediation efforts of external third parties. It is possible, therefore, that even if the County were fully Year 2000 compliant, and even if the County were to pay all of its obligations on time, the noncompliance of external third parties involved in the transfer of principal and interest payments could adversely affect the timeliness or amount of payments to bondholders.

For additional Year 2000 disclosure information, please refer to Note 18 of the County's General Purpose Financial Statements (See Appendix B).

COUNTY DEBT SUMMARY

Overview

The County Government, four of its agencies, and municipalities are authorized by State law and/or County Charter to issue debt to finance capital projects. Consistent with County fiscal policy, the County issues debt 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). 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 current and future citizens benefiting from the facilities. Due to various Federal, State, and local policies, interest rates are lower than in the private sector.

In addition to the issuance of general obligation or revenue bonds, the County initially finances the cost of long-term capital assets with short-term paper, known as Bond Anticipation Notes (BANs)/Commercial Paper, which the County intends to retire with the proceeds of long-term bonds. Additionally, the County from time to time enters into other long-term obligations, such as long-term loans, which are classified as long-term notes payable.

The various components of the County's debt described above are categorized as either direct or overlapping. Direct debt is the total bonded debt of the government, and constitutes the direct obligations of the County government that impact its taxpayers. Components of Montgomery County direct debt are its general obligation bonds, special obligation bonds, short-term paper which is planned to be retired with long-term general obligation bonds, long-term notes payable, and revenue bonds issued by the County.

Overlapping debt includes all borrowings of other County agencies, incorporated municipalities, and special taxing or development districts, which may impact those County tax or ratepayers who are residents of those municipalities or special districts. More broadly, overlapping debt can help reveal the degree to which the total economy is being asked to support long-term fixed commitments for governmental facilities.

Certain direct and overlapping debt is additionally classified as Self-Supporting Debt. Such obligations are issued for projects that produce sufficient revenues to retire the debt. The bonds are not supported by the taxing power of the governmental entity issuing them.

The County's Net Direct and Overlapping Debt is derived by subtracting Self-Supporting Debt from the Total Direct and Overlapping Debt.

A summary statement of direct and overlapping debt for Montgomery County is provided in Table 1 on the following page. The components of the County's debt includes general obligation bonds, special obligation bonds, revenue bonds, mortgages payable, notes payable, certificates of participation, and bank loans. For additional discussion of particular elements of the County's debt, see the sections that follow.

(The remainder of this page has been left blank intentionally.)

Table 1
Statement of Direct and Overlapping Debt
As of March 31, 1999 and Including Proposed General Obligation Bonds

Direct Debt:		
General Obligation Bonds Outstanding	$1,016,083,054	
Proposed General Obligation Bonds	120,000,000	
Short-Term BANs/Commercial Paper Outstanding	80,000,000	
Long-Term Notes Payable	1,800,000	
Revenue Bonds Outstanding	80,690,000	
Total Direct Debt		$1,298,573,054
Overlapping Debt (as of June 30, 1998):		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,159,874,328	
Housing Opportunities Commission	618,455,018	
Montgomery County Revenue Authority	41,342,062	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	39,300,520	
Towns, Cities and Villages within Montgomery County	35,294,493	
Total Overlapping Debt		1,894,266,421
Total Direct and Overlapping Debt		3,192,839,475
Less Self-Supporting Debt:		
County Government Revenue Bonds	80,690,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County (as of June 30, 1998)	1,159,874,328	
Housing Opportunities Commission (as of June 30, 1998)	606,615,018	
Montgomery County Revenue Authority (as of June 30, 1998)	41,342,062	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County (as of June 30, 1998)	9,850,520	
Total Self-Supporting Debt		(1,898,371,928)
Net Direct and Overlapping Debt		$1,294,467,547
Ratio of Debt to FY99 Estimated Assessed Valuation of:		$31,512,000,000
Direct Debt		4.12%
Net Direct Debt *		3.86%
Direct and Overlapping Debt		10.13%
Net Direct and Overlapping Debt		4.11%
Ratio of Debt to FY99 Estimated Market Valuation of:		$74,391,000,000
Direct Debt		1.75%
Net Direct Debt *		1.64%
Direct and Overlapping Debt		4.29%
Net Direct and Overlapping Debt		1.74%

* Net Direct Debt of $1,217,883,054 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Debt Affordability

Once committed, debt service represents a major continuing claim on County resources that must be kept to affordable levels within the annual operating requirements of the County in order to avoid excessive pressures on operating budgets in years of revenue shortfalls. To assure such affordable levels, the County's general obligation debt is subject to two means of debt affordability tests: 1) the self-imposed, but Charter-required, spending affordability guidelines and 2) the State Law-mandated Legal Debt Limit.

Spending Affordability Guidelines

The County Council annually 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 judgements about the County's capacity to issue debt and its ability to retire the debt over time. As part of the preparation of the Executive's Recommended Six-Year Capital Improvement Program, the County analyzes its debt capacity using the Fiscal Policy indicators as follows: 1) bonded debt as a percentage of estimated full (market) value of taxable property; 2) debt service as a percentage of General Fund expenditures; 3) debt per capita; 4) debt per capita as a percentage of per capita income; and 5) rate of replacement of debt principal (payout ratio) in ten years. The results of selected indicators are displayed in Table 2 below.

Table 2
General Bonded Debt Ratios
1990 - 1999

Fiscal Year	Net Direct Debt to Estimated Market Value	Debt Service to General Fund Expenditures	Debt Per Capita	Debt Per Capita to Per Capita Income
1990	1.34%	8.74%	$1,400	2.88%
1991	1.33%	8.79%	1,029	3.08%
1992	1.48%	9.58%	1,165	3.37%
1993	1.43%	8.29%	1,242	3.46%
1994	1.46%	8.65%	1,273	3.43%
1995	1.34%	8.78%	1,164	3.00%
1996	1.62%	8.62%	1,391	3.46%
1997*	1.47%	8.57%	1,279	3.04%
1998*	1.66%	8.27%	1,443	3.33%
1999*	1.64%	8.44%	1,440	3.22%

* estimated

Legal Debt Limit

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing of funds and issuance of bonds up to a maximum of 15 percent of the assessed value of all real and personal property within the County. The legal debt limit as of March 31, 1999 is projected to be $4,726,800,000, based upon an assessed value of $31,512,000,000. Article 25A, Section 5(P) provides that obligations having a maturity not in excess of twelve months shall not be subject to or be included in computing the County's legal debt limitation. However, the County has included its BANS/Commercial Paper in such calculation because it intends to repay such notes with the proceeds of long-term debt to be issued in the near future. As of March 31, 1999 the County's projected outstanding net direct debt, as displayed in Table 3, is 3.86 percent of assessed value.

Table 3
Statement of Legal Debt Margin
As of March 31, 1999 and Including Proposed General Obligation Bonds

Estimated Assessed Value (Levy Year 1998-1999)		$31,512,000,000
Debt Limit (% of Assessed Value)		15%
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		4,726,800,000
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$1,016,083,054	
Proposed General Obligation Bonds for Refunding Bond Anticipation Notes	120,000,000	
Short-Term BANS/Commercial Paper	80,000,000	
Long Term Notes Payable	1,800,000	
Net Direct Debt		1,217,883,054
Legal Debt Margin		$3,508,916,946
Net Direct Debt as a Percentage of Assessed Value		3.86%

Direct Debt

General Obligation Bonds

General obligation bonds are secured by the full faith, credit and taxing powers of the County. Bonds are normally issued with a 20-year term, with five percent of the principal retired each year. This practice produces equal annual payments of principal over the life of the bond issue and declining annual payments of interest on the outstanding bonds. The Charter limits the term of any bond to 30 years.

Over the past three decades the composition of County general obligation debt has changed. As more general County bonding was shifted towards schools and roads, a related shift occurred away from general County facilities, parks, and mass transit. In addition, in recent years, general obligation debt has not been issued to finance parking lot district or solid waste projects. Such projects have been financed with revenue bonds or current revenues. The County's general obligation indebtedness by issue is presented in Table 4. Annual debt service payments for the County's debt, excluding the Bonds, is displayed in Table 5.

(The remainder of this page has been left blank intentionally.)

Table 4
General Obligation Debt of the County
June 30, 1998 and
As of March 31, 1999 and Including Proposed Bonds

Issue	Dated Date	Original Issue Size	Interest Rates	TIC*	Maturity	Principal Outstanding June 30, 1998	Principal Outstanding March 31, 1999 and Including Proposed Bonds
GO Bonds	05/01/70	$ 21,600,000	0.10%-7.50%	6.0996%	1971-00	$ 1,440,000	$1,440,000
GO Bonds	02/01/71	13,200,000	0.10%-6.50%	4.8651%	1972-01	1,320,000	880,000
GO Bonds	11/01/71	17,700,000	0.10%-6.50%	4.3163%	1972-01	2,360,000	1,770,000
GO Bonds	05/01/79	45,000,000	5.00%-6.00%	5.5562%	1980-99	2,250,000	2,250,000
GO Bonds	06/15/80	50,000,000	6.25%-7.25%	6.7347%	1981-00	5,000,000	5,000,000
GO Bonds	05/01/83	50,000,000	7.00%-9.00%	7.8999%	1984-03	12,500,000	12,500,000
GO Bonds	06/01/84	55,000,000	9.00%-9.75%	9.3989%	1985-04	16,500,000	16,500,000
GO Bonds	05/01/85	65,000,000	7.60%-8.60%	8.2205%	1986-05	22,750,000	22,750,000
GO Bonds	04/01/86	49,925,000	5.80%-6.30%	6.0956%	1987-06	20,000,000	20,000,000
GO Bonds	10/01/88	50,000,000	6.70%-7.25%	6.9527%	1989-98	2,500,000	--
GO Bonds	04/01/89	75,000,000	7.25%-7.60%	7.4069%	1990-99	3,750,000	3,750,000
GO Bonds	11/01/89	75,000,000	6.75%-6.80%	6.7935%	1990-99	7,500,000	3,750,000
GO Bonds	04/01/90	75,000,000	6.80%-7.00%	6.9314%	1991-00	7,500,000	7,500,000
GO Bonds	10/01/90	75,000,000	6.80%-7.10%	6.9842%	1991-00	11,250,000	7,500,000
GO Bonds	04/01/91	60,000,000	6.30%-6.75%	6.5230%	1992-11	15,000,000	15,000,000
GO Bonds	10/01/91	70,000,000	5.75%-6.12%	5.9747%	1992-11	21,000,000	17,500,000
GO Refunding Bonds	07/01/92	273,038,054	2.75%-5.80%	5.7431%	1993-10	257,953,054	247,363,054
GO Bonds	10/01/92	115,000,000	5.00%-5.75%	5.4740%	1993-12	51,750,000	46,000,000
GO Refunding Bonds	08/15/93	60,005,000	2.50%-5.00%	4.9908%	1994-11	58,380,000	57,870,000
GO Bonds	10/01/93	100,000,000	4.40%-4.90%	4.6899%	1994-13	80,000,000	75,000,000
GO Bonds	10/01/94	100,000,000	5.20%-6.125%	5.7958%	1995-14	55,000,000	50,000,000
GO Bonds	03/15/96	120,000,000	5.10%-5.50%	5.2946%	1997-16	108,000,000	108,000,000
GO Bonds	04/15/97	115,000,000	5.00%-5.375%	5.3226%	1998-17	109,250,000	109,250,000
GO Refunding Bonds	01/01/98	69,510,000	3.90%-5.25%	4.6400%	2003-15	69,510,000	69,510,000
GO Bonds	04/01/98	115,000,000	4.875%	4.7607%	1999-18	115,000,000	115,000,000
GO Bonds	04/01/99	120,000,000	4.00%-5.00%	4.4764%	2000-19	--	120,000,000
Total						$1,057,463,054	$1,136,083,054

* True Interest Cost.

Table 5
Summary of General Obligation Bond
Debt Service Charges by Fiscal Year
(Excludes Proposed Bonds)
As of June 30, 1999 (Projected)

Fiscal	General Obligation Bonds		
Year	Principal	Interest	Total
2000	$ 83,780,000	$ 50,541,339	$ 134,321,339
2001	80,625,000	45,708,044	126,333,044
2002	80,030,000	41,231,065	121,261,065
2003	79,605,000	36,763,907	116,368,907
2004	77,120,000	32,185,440	109,305,440
2005	74,150,000	27,882,232	102,032,232
2006	70,670,000	23,836,297	94,506,297
2007	67,945,000	20,043,154	87,988,154
2008	67,720,000	16,543,795	84,263,795
2009	47,971,683	25,743,607	73,715,290
2010	44,772,086	19,493,954	64,266,040
2011	41,659,285	12,251,005	53,910,290
2012	37,135,000	7,681,540	44,816,540
2013	33,495,000	5,917,770	39,412,770
2014	27,625,000	4,236,630	31,861,630
2015	22,560,000	2,951,318	25,511,318
2016	17,500,000	1,789,062	19,289,062
2017	11,500,000	869,688	12,369,688
2018	5,750,000	280,313	6,030,313
Total	$971,613,054	$375,950,160	$1,347,563,214

General Obligation Bond Authority

Table 6 sets forth the amount of general obligation bonds authorized to be issued by the County as of December 31, 1998.

(The remainder of this page has been left blank intentionally.)

Table 6
General Obligation Bonds Authorized - Unissued
As of December 31, 1998

Purpose	Chapter	Act	Amount	Amount Unissued	Proposed Bonds
General County, Parks, and	10	1995	$ 59,285,000	$ 19,520,000	--
Consolidated Fire Tax District	32	1995	3,865,000	3,865,000	--
	8	1997	3,800,000	3,800,000	--
	32	1997	13,300,000	13,300,000	--
	19	1998	113,400,000	113,400,000	--
			193,650,000	153,885,000	$26,100,000
Road & Storm Drainage and	32	1995	24,465,000	8,915,000	--
Urban Renewal	8	1997	19,300,000	19,300,000	--
	32	1997	22,200,000	22,200,000	--
	19	1998	77,000,000	77,000,000	--
			142,965,000	127,415,000	26,000,000
Public Schools and	8	1997	99,400,000	78,963,000	--
Community College	32	1997	80,800,000	80,800,000	--
	19	1998	3,800,000	3,800,000	--
			184,000,000	163,563,000	67,000,000
Mass Transit	14	1991	12,610,000	795,000	--
	34	1991	2,160,000	2,160,000	--
	19	1998	500,000	500,000	--
			15,270,000	3,455,000	900,000
Public Housing	17	1981	2,650,000	2,590,000	--
	13	1982	995,000	995,000	--
	8	1983	230,000	230,000	--
	20	1985	900,000	900,000	--
	13	1986	855,000	855,000	--
			5,630,000	5,570,000	--
Parking Districts:					
Silver Spring	9	1983	2,945,000	2,045,000	--
	6	1984	1,220,000	1,220,000	--
			4,165,000	3,265,000	--
Bethesda	19	1981	7,325,000	3,040,000	--
	14	1982	775,000	775,000	--
	10	1983	1,050,000	1,050,000	--
			9,150,000	4,865,000	--
Total Parking Districts			13,315,000	8,130,000	--
Total General Obligation Bonds			$554,830,000	$462,018,000	$120,000,000

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1984, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Short Term Bond Anticipation Notes/Commercial Paper

The County utilizes bond anticipation notes/commercial paper (BANs) for short-term capital financing for capital expenditures with the expectation that the principal amount will be refunded with the proceeds of long-term general obligation bonds. Interest costs incurred are usually at lower rates than with longer term financing. The County has BANs authorized, issued, and outstanding as financing sources for capital construction and improvements. BANs are issued at varying maturities to a maximum of 270 days, under a program that matures on June 30, 2002. The County reissues the notes upon maturity until they are refinanced with long-term bonds. Changes in BANs projected during fiscal year 1999 through March 31, 1999 and after the effect of the Proposed Bonds are presented in the table below.

Table 7
Bond Anticipation Notes Outstanding
As of March 31, 1999 and
After Effect of Proposed Bonds

Issue	Balance July 1, 1998	BANs Issued	Balance March 31, 1999	BANs Retired	Balance After Effect of Proposed Bonds
BAN Series 1995-B	$ 35,000,000	$ --	$ 35,000,000	$ 35,000,000	$ --
BAN Series 1995-C	50,000,000	--	50,000,000	46,000,000	4,000,000
BAN Series 1995-D	65,000,000	--	65,000,000	39,000,000	26,000,000
BAN Series 1995-E	--	50,000,000	50,000,000	--	50,000,000
Total	$150,000,000	$50,000,000	$200,000,000	$120,000,000	$80,000,000

Long-Term Notes

In September 1998, the County entered into a $1,800,000 long-term loan agreement with the Maryland Industrial and Commercial Redevelopment Fund (MICRF) pursuant to the provisions of Sections 5-501 through 5-507 of Article 83A of the Annotated Code of Maryland. The loan has been approved by the Maryland State Department of Business and Economic Development. In accordance with the terms of the loan, the proceeds of the loan have been reloaned to a private corporation, for purposes of relocation to and renovation of facilities in the County. If certain conditions are met, $150,000 of the loan may be converted to a State grant. Although it is expected that the loan will be repaid by payments made by the private user, the loan is a full faith and credit obligation of the County.

Revenue Bonds

County revenue bonds are bonds authorized by the County to finance specific projects such as parking garages and solid waste facilities, with debt service to be paid from pledged revenues received in connection with the projects. Proceeds from revenue bonds may be applied only to the costs of projects for which they are authorized. They are considered separate from general obligation debt, and do not constitute a pledge of the full faith and credit or unlimited taxing power of the County.

County revenue bonds have been used in the Bethesda and Silver Spring Parking Districts, supported by parking fees and fines, together with parking district property taxes. County revenue bonds have also been issued for County Solid Waste Management facilities, supported with the revenues of the Solid Waste Disposal System.

Table 8
Summary of Revenue Bond Debt Service Charges by Fiscal Year
As of March 31, 1999

	Revenue Bonds		
Fiscal Year	Principal	Interest	Total
2000	$ 5,060,000	$ 4,447,211	$ 9,507,211
2001	5,335,000	4,172,756	9,507,756
2002	5,640,000	3,875,897	9,515,897
2003	5,975,000	3,556,367	9,531,367
2004	6,340,000	3,211,786	9,551,786
2005	6,730,000	2,843,611	9,573,611
2006	7,150,000	2,445,981	9,595,981
2007	7,605,000	2,014,094	9,619,094
2008	5,395,000	1,549,581	6,944,581
2009	5,750,000	1,223,831	6,973,831
2010	3,415,000	876,550	4,291,550
2011	3,620,000	675,919	4,295,919
2012	3,830,000	463,244	4,293,244
2013	4,055,000	238,231	4,293,231
Total	$75,900,000	$31,595,059	$107,495,059

Table 9
Revenue Bonds Authorized - Unissued
As of December 31, 1998

Purpose	Resolution No.	Year	Amount	Amount Unissued	Proposed Bonds
Parking Lot Districts	11-1383	1989	$ 51,163,000	$ 42,088,000	--
Refuse	12-1010	1993	56,935,000	6,255,000	--
Total Revenue Bonds			$108,098,000	$ 48,343,000	--

Overlapping Debt

In addition to the direct indebtedness described above, certain portions of the debt of other governmental entities in the County are payable in whole or in part by the taxpayers of the County. The debt includes general obligation bonds, revenue bonds, mortgages payable, notes payable, commercial paper/bond anticipation notes, certificates of participation, and bank loans. Table 10 sets forth the gross and net overlapping debt that is applicable to Montgomery County and is outstanding as of June 30, 1998.

Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC) issues general construction bonds to finance construction of small diameter water distribution and sewage collection lines, and required support facilities in Montgomery and Prince George's Counties. Generally, these are considered general obligation bonds because they are payable from unlimited ad valorem taxes upon all the assessable property in the WSSC district. They are actually paid through assessments on properties being provided service, and are considered to be overlapping debt rather than direct debt of the County. WSSC Water Supply and Sewage Disposal Bonds, which finance major system improvements, including large diameter water distribution and sewage collection lines, are paid from non-tax sources including user charges collected through water and sewer rates, which also cover all system operating costs. They are backed by unlimited ad valorem taxes upon all the assessable property within the WSSC district in addition to mandated rates, fees, and charges sufficient to cover debt service. Pursuant to Section 4-101 of Article 29 of the Annotated Code of Maryland (1997 Replacement Volume and 1998 Cumulative Supplement), the County must guarantee payment of principal and interest on WSSC bonds, unless the WSSC waives such guarantee requirement in accordance with Section 4-103 of Article 29. WSSC has waived such guarantee requirement with respect to all outstanding WSSC bonds.

Housing Opportunities Commission

The Montgomery County Housing Opportunities Commission (HOC) issues revenue bonds for its Multi-Family Mortgage Purchase Program and its Single-Family Mortgage Purchase Program which are paid through mortgages and rents. A portion of this revenue bond debt is guaranteed by Montgomery County pursuant to Section 2-103 of Article 44A of the Annotated Code of Maryland. The County may by local law provide its full faith and credit as guarantee of bonds issued by HOC in principal amount not exceeding $50,000,000. Section 20-32 of the Montgomery County Code provides the method by which the County has implemented the guarantee. As of June 30, 1998, $618.5 million HOC debt is outstanding, $606.6 million is self-supporting, and $11.84 million is guaranteed by the County.

Montgomery County Revenue Authority

The Montgomery County Revenue Authority has authority to issue revenue bonds and to otherwise finance projects through notes and mortgages with land and improvements serving as collateral. These are paid through revenues of the Revenue Authority’s several enterprises, which include golf courses, and an elderly rental housing project, and the Montgomery County Airpark. The County also uses the Revenue Authority as a conduit for alternative capital project funding arrangements. These include financing for several County aquatic facilities, with the bonds issued by the Revenue Authority, and the debt service paid through revenues from long-term lease agreements with the County. As of June 30, 1998, Revenue Authority obligations totaled $41.3 million, all of which is self-supporting.

Maryland-National Capital Park and Planning Commission

The Maryland-National Capital Park and Planning Commission (M-NCPPC) issues general obligation debt for the acquisition and development of local parks and certain special parks and advance land acquisition, with debt limited to that supportable within mandatory tax rates. The Commission also issues revenue bonds funded by its enterprise operations. Pursuant to Section 6-101 of Article 28 of the Annotated Code of Maryland (1997 Replacement Volume and 1997 Supplement), the County must guarantee payment of principal and interest on the debt of M-NCCPC that is not self-supporting. As of June 30, 1998, $39.3 million in M-NCPPC debt was applicable to Montgomery County, with $9.85 million of it self-supporting, and the remaining $29.45 million in principal outstanding guaranteed by the County.

Towns, Cities, and Villages

The Towns of Brookeville, Poolesville, and Washington Grove, the Cities of Rockville and Takoma Park, and the Village of Chevy Chase are located wholly within Montgomery County and have issued long-term obligations to fund various public amenities such as road and sewer improvements. As of June 30, 1998, these obligations totaled $35.3 million and were not self-supporting.

Table 10
Net Overlapping Debt
(As of June 30, 1998)

Jurisdiction	Gross Debt Outstanding Applicable to Montgomery County	Less Self-Supporting Portion	Net County Overlapping Debt
WSSC	$1,159,874,328	$1,159,874,328	$ --
HOC	618,455,018	606,615,018	11,840,000
Revenue Authority	41,342,062	41,342,062	--
M-NCPPC	39,300,520	9,850,520	29,450,000
Towns, Cities, and Villages:			
Brookeville	255,000	--	255,000
Chevy Chase	933,975	--	933,975
Poolesville	1,399,928	--	1,399,928
Rockville	30,910,684	--	30,910,684
Takoma Park	1,674,906	--	1,674,906
Washington Grove	120,000	--	120,000
Totals	$1,894,266,421	$1,817,681,928	$76,584,493

Special Taxing Districts

Two 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 Development District was created by Council Resolution 13-1135 during FY98 and the Kingsview Village Center Development District was created by Council Resolution 13-1377 in FY99. 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 with high priority for new development or redevelopment.

Pursuant to the Development District Act, special taxes and/or special assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective district. The County is authorized to issue $4.5 million in special obligation bonds for the Kingsview Village Center Development District, and $20 million in special obligation bonds for the West Germantown Development District.

County Lease Obligations

Operating Leases

Commitments for FY99 lease agreements for facilities and equipment provide for annual rental payments of approximately $9,257,000. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet rental payments are not appropriated. Long-term leases with the Montgomery County Revenue Authority are subject to annual appropriations, but are related to the debt service on bonds that the Revenue Authority issued on the County’s behalf.

Following is a listing of facilities with FY99 annual rental payments greater than $100,000:

Payee	Location	Use	Total Rent For FY99
Montgomery County Revenue Authority	Indoor Swim Centers	Recreation	$1,467,150
Rockville Center, Inc	250 Hungerford Drive, Rockville	Various Agencies	1,361,651
Washington Real Estate Investment Trust	51 Monroe Street, Rockville	Various Agencies	663,330
Montgomery County Revenue Authority	1301 Piccard Drive, Rockville	Health & Human Services	612,570
SBI Management	1335 Piccard Drive, Rockville	Health Center	438,567
N. Washington Center	110 N. Washington Street, Rockville	Various Agencies	424,248
The Gudelsky Co.	8630 Fenton Street, Silver Spring	Health Center	393,332
Town of Chevy Chase	4301 Willow Lane, Chevy Chase	Leland Community Center	252,000
Equitable Life Insurance Co.	2092 Gaither Road, Rockville	DED Business Incubator	212,282
McShea Gaither Road Limited Partnership	9125 Gaither Road, Rockville	Police/S.O.D.	204,761
Beall Ave., Ltd. Prtshp.	255 N. Washington Street, Rockville	Commission for Women, False Alarm Reduction Unit	198,686
Rockville Office Assoc.	9210 Corporate Boulevard, Rockville	Police/S.I.D.	197,610
Sidney & B.M. Kramer	13434 New Hampshire Avenue, Colesville	East County Regional Services Ctr.	139,188
Fotis Kostaris	164 Rollins Avenue, Rockville	Human Relations Commission	132,890
Milford Mill Limited Prtshp.	19627 Fisher Avenue, Poolesville	Library	121,990
Betty B. Casey Trust	8516 Anniversary Circle, Rockville	Warehouse	100,964
Betty B. Casey Trust	8536 Anniversary Circle, Rockville	Records Center	100,964

Capital Leases/Equipment Purchase Contracts

The County will make capital lease or equipment purchase payments totaling $286,965 in FY99. Most of the lease agreements involve the acquisition of equipment. The following table is a schedule by year of future minimum payments and the present value of net minimum payments as of June 30, 1998, for capital leases and equipment purchase contracts.

Fiscal Year Ending June 30	General Fund	Special Revenue Fund	Total
1999	$253,367	$33,598	$286,965
2000	76,424	21,606	98,030
2001	17,206	--	17,206
2002	13,758	--	13,758
Total minimum lease payments	360,755	55,204	415,959
Less: Amount representing interest	(22,916)	(3,702)	(26,618)
Present value of net minimum contract payments	$337,839	$51,502	$389,341

State Assumption - Certain Mass Transit Capital Costs

The regional Metro Rapid Rail System, originally approved in 1968, is a planned 103-mile system of subway, surface and elevated tracks embracing Washington, D.C. and the Maryland and Virginia suburbs. The system includes 18.4 miles and 12 stations within Montgomery County, all of which are now in service.

The most recently approved (November 1990) Federal authorization of $1.3 billion over eight years for the Federal share of Metro rail construction is sufficient to construct the final segments of the regional system: "U" Street to Fort Totten, and Anacostia to Branch Avenue in Washington, D.C. and Maryland. These segments are scheduled to be completed in September 1999 and March 2001, respectively. A Fifth Interim Capital Contribution Agreement was executed in January 1992 to commit the amounts and time tables for $780 million in non-Federal funds to match the new $1.3 billion Federal authorization on a 62.5 percent Federal - 37.5 percent local match basis. Of this amount, $163 million has been provided by Maryland DOT on behalf of the County, between FY92 and FY99.

As a result of a succession of State legislative actions between 1972 and 1998, all County obligations for allocable costs of WMATA's capital construction, debt service, and capital equipment replacement programs are now met by the State of Maryland, relieving the County of all such obligation.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution of this Official Statement and its delivery have been duly authorized by the County. This Official Statement is hereby deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

/s/ BRUCE ROMER
Chief Administrative Officer

/s/ TIMOTHY L. FIRESTINE
Director, Department of Finance

APPENDIX A

ANNUAL INFORMATION STATEMENT OF THE COUNTY

INTRODUCTION TO THE COUNTY

Appendix A contains certain general information concerning Montgomery County, Maryland (the "County"). The Appendix presents information on the 1) County government, organizational structure and services, 2) County accounting and financial reporting, 3) County budget, 4) results of fiscal years 1994-1998, 5) County retirement system, 6) County property taxes, and 7) selected demographic and economic statistics, information including population, employment and income.

The County's audited general purpose financial statements for the fiscal year ended June 30, 1998, prepared in conformity with generally accepted accounting principals (GAAP) for governments as prescribed by the Government Accounting Standards Board, have been included as Appendix B.

The County's 1998 Comprehensive Annual Financial Report (CAFR), which includes the audited general purpose financial statements has been filed with each nationally recognized municipal securities information repository (NRMSIR).

For further information regarding the County, visit the Department of Finance's Internet home page at:

http://www.co.mo.md.us/services/finance/

or contact the County's Department of Finance, 101 Monroe Street, Rockville, MD 20850 (301-217-2042, 301-217-6144 facsimile).

GENERAL INFORMATION ABOUT COUNTY GOVERNMENT, ORGANIZATION AND SERVICES

Location

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 497 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

History

Montgomery County was established by the State Convention in 1776, and from its establishment until 1948, the Montgomery County Government functioned under the County Commission system. In 1948, the voters adopted a charter giving the County home rule and a council-manager form of government. In 1968, the voters approved a new charter providing for separate legislative and executive branches of government, with the legislative power vested in an elected County Council and executive power in an elected County Executive. The new charter became fully implemented with the election of the County Executive and the County Council in November 1970. The Council is composed of nine members, four of whom are nominated and elected by the qualified voters of the entire County. Each of the five other members of the Council must, at the time of their election, reside in a different one of five Councilmanic districts of the County and each of these five members shall be nominated and elected by the qualified voters in their respective districts.

Populations of the Councilmanic districts are substantially equal. Council members serve a four-year term. The County Executive, who must have been a qualified voter of the County for the five years preceding his or her election and who may not be less than thirty years of age, is elected by the qualified voters of the entire County at the same time as the Council and similarly serves a four-year term.

County Officials

County Executive - Douglas M. Duncan

Douglas M. Duncan was elected Montgomery County's fifth County Executive on November 8, 1994. He was re-elected to his second term on November 3, 1998, and sworn in on December 7, 1998. A lifelong Rockville resident, Mr. Duncan graduated from St. John's College High School. He went on to attend Columbia University and, in three years, earned a Bachelor of Arts degree, with a double major in Psychology and Political Science (1976). Mr. Duncan worked for the County's Criminal Justice Coordinating Commission before joining AT&T in 1981. He held several positions during his 13-year career at the company, culminating with his assignment as National Account Manager for AT&T Integrated Solutions.

Mr. Duncan's political career began with his election in 1982 to the Rockville City Council, where he served three two-year terms. In 1987, he was elected Mayor of Rockville, a post he maintained for three two-year terms. During Mr. Duncan's tenure as Mayor of Rockville, the City won national and regional awards for governmental excellence, fiscal responsibility, community policing, and environmental achievements. Mr. Duncan bypassed a run for a fourth term as Rockville Mayor in order to pursue his successful bid for the County Executive's post in 1994.

President, County Council - Isiah Leggett

Isiah Leggett was elected to the Montgomery County Council in 1986 and is presently the Council President. He is Chair of the Council's Transportation and Environment Committee and a member of the Education Committee.

Mr. Leggett holds a law degree from the George Washington University, and is a Professor of Law at Howard University School of Law. Mr. Leggett formerly served as Assistant Dean of Howard University School of Law and as a White House Fellow. He was an Attorney in the Office of the General Counsel, Department of the Navy, and a Legislative Assistant for Congressman Parren J. Mitchell. Mr. Leggett is a member of the Bar in several states and the District of Columbia.

Chief Administrative Officer - Bruce Romer

Bruce Romer has served as Chief Administrative Officer since January 17, 1995. Prior to Mr. Romer's appointment, he served as City Manager for the City of Rockville, Maryland, for six years. His thirty-year career in professional local government management has included the positions of City Administrator for the City of Davenport, Iowa; and City Manager in Sidney, Ohio and Brighton, Michigan.

Mr. Romer holds a Bachelor of Arts Degree in Political Science and Business Administration from Wittenburg University and a Master of Government Administration Degree from The Wharton Graduate School, University of Pennsylvania. Mr. Romer currently serves as Chair of the Chief Administrative Officer's Committee of the Metropolitan Washington Council of Governments. He is past president of the Maryland City and County Management Association; is a member of the International City/County Management Association (ICMA); and has served on the ICMA Executive Board as Vice President, representing the Northeast Region. Mr. Romer also serves on the Board of Directors of the District of Columbia Water and Sewer Authority and Urban Consortium Steering Committee of Public Technology, Incorporated.

County Attorney - Charles W. Thompson, Jr.

Charles W. Thompson, Jr. was appointed County Attorney on February 9, 1995, and was confirmed on March 7, 1995. For the prior 17 years, Mr. Thompson served as County Attorney for Carroll County, Maryland. From 1975 to 1978, Mr. Thompson was an assistant state's attorney in Carroll County. In the mid-seventies, Thompson served as a law clerk for the Honorable Kenneth C. Proctor, associate judge, Circuit Court, Baltimore County. He was also an administrative specialist with the Maryland Real Estate Commission. Prior to that time he was an administrator for the Maryland State Board of Censors where he managed the administrative and inspections staff of the Maryland Board of Motion Picture Censors.

Mr. Thompson received a bachelor's degree in history from Virginia Military Institute and earned his Juris Doctor from the University of Baltimore School of Law. In addition to serving as president of the Carroll County Bar Association, Mr. Thompson has been active with the Montgomery County Bar Association and the Maryland State Bar Association. He is a member of the Board of Directors of the International Municipal Lawyers Association, serving as Chairman of the Board of the State and Local Government Law Section of the Maryland State Bar Association from 1981 - 1997. Mr. Thompson also served on the Board of Directors and as President of the County Civil Attorneys group in the Maryland Association of Counties.

Director, Department of Finance - Timothy L. Firestine

Timothy L. Firestine was appointed Director, Department of Finance on July 26, 1991 and was confirmed on August 6, 1991. Prior to his appointment, Mr. Firestine served as Chief of the Budgets Division, Chief of Interagency Analysis and Review, Budget and Planning Program Manager and Senior Management and Budget Specialist in the County Office of Management and Budget. Before coming to the County, Mr. Firestine was the Budget Officer for the Allegheny County, Pennsylvania, Controller's Office.

Mr. Firestine received his BA degree from Albright College and his M.P.A. degree from the University of Pittsburgh. Mr. Firestine is a member of the Board of Investment Trustees for the Employees' Retirement System of Montgomery County. He is a member of the Government Finance Officers Association and serves on its Committee on Debt and Fiscal Policy. Mr. Firestine is a member of the Executive Board of the Maryland Public Finance Officers Association and is a trustee for Suburban Hospital in Bethesda, Maryland, and chairs its Finance Committee.

Director, Office of Management and Budget - Robert K. Kendal

Robert K. Kendal was appointed Director of the Office of Management and Budget on July 17, 1987. Prior to this appointment, Mr. Kendal served as Chief of the Budgets Division, and for the 12 years prior, served as Assistant Chief Administrative Officer for the County. In his present position, Mr. Kendal is responsible for the annual preparation and administration of the six-year Public Services Program, the Operating and Capital Budgets, and the biennial preparation of the six-year Capital Improvements Program. Both six-year programs and both budgets cover all major agencies of the County.

Mr. Kendal began his government career in 1968 as Director of Finance for the City of Bowie, Maryland, and became a budget analyst for the County three years later. Mr. Kendal received his BA degree in Economics from Duke University and did graduate work in public affairs at the University of Pittsburgh. He served in the Peace Corps for two years as an English teacher in Tunisia. Mr. Kendal serves on the County Government's Labor Relations Committee and is Chair of the Board of Investment Trustees for the Employees' Retirement System of Montgomery County.

County Employees

The County government work force consists of approximately 7,127 full and part-time employees. Of this number, 5,384 employees are included in designated bargaining units under the County's collective bargaining laws. The County negotiates with three unions, which have representation rights for four bargaining units. The County bargains with all three unions over wages, fringe benefits, and working conditions. The table below summarizes the current status of County labor agreements.

Table A-1
County Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Service, Labor & Trades	1,065	June 30, 2001
Office, Professional & Technical	2,915	June 30, 2001
Non-supervisory police officers	828	June 30, 2001
Non-supervisory fire/rescue workers	576	June 30, 2002

Public school teachers in the County are not County government employees, but are employed by the Montgomery County Board of Education (the "Board"). The Board employs approximately 17,299 full and part-time employees. This number includes 519 executive and administrative, 8,930 instructional, 253 other professional, and 7,597 supporting services personnel. The Board bargains collectively with employees on matters concerning wages, hours and other conditions of employment. There are three bargaining units, which are comprised of teachers, professional/administrative and support/maintenance employees presented in the table below.

Table A-2
Board of Education Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Teachers	7,000	June 30, 2001
Professional/Administrative	450	June 30, 2000
Support Services	8,000	June 30, 2000

County-Provided Services

Culture and Recreation

The County Department of Recreation provides a wide range of programs for children and youth, including teen programs, high adventure activities, youth sports, camps, and summer playgrounds. The Department also operates 15 community centers that facilitate leisure activity, social interaction, family participation, and neighborhood civic involvement. Four additional community centers are planned for development within the next six years. There are presently six large public outdoor swimming pools and three indoor pools operated by the County. Three indoor aquatic complexes include weight and exercise rooms, meeting rooms, and changing facilities. The Recreation Department also sponsors a number of major special events drawing thousands of residents, such as the Ethnic Heritage Festival, an Oktoberfest, a 4th of July celebration, "First Night Montgomery," and a variety of community festivals.

The Strathmore Hall Arts Center, located in the historic Corby Mansion, houses the Strathmore Hall Foundation and the Montgomery County Arts Council. The center recently underwent a $3 million addition and renovation, and is used for art shows, concerts, and dramatic readings. An additional $5 million was approved in FY99 for the planning and design of a multi-disciplinary education and performance center on a five-acre site adjacent to the Center. The Performance Hall will be capable of supporting large-scale (2,000 seat) musical presentations including, but not limited to, major choral, orchestral, and popular entertainments.

Economic Development

Department of Economic Development

The mission of the Montgomery County Department of Economic Development (DED) is to develop and implement strategies and programs aimed at expanding the County's economic base and promoting business growth that will generate employment opportunities and tax revenues.

To achieve this mission, DED provides services to help existing businesses expand, assists small and minority-owned businesses to grow, promotes high technology development, attracts foreign investments, expands the County's export base, preserves farmland, and enhances the viability of the agricultural industry. DED's responsibilities also include initiatives to enhance the presence of higher education, develop a County-owned biotechnology research park, the Shady Grove Life Sciences Center, and operate the County technology business incubator center. In addition, DED oversees the County training and employment programs operated by the Workforce Development Corporation, tourism promotion programs operated by the Montgomery County Conference and Visitor's Bureau, and the financial program for small businesses operated by the Montgomery County Bankers' Small Business Loan Fund.

Existing and prospective new businesses receive professional assistance from DED. This assistance can take the form of site searches, information on zoning, comparative tax data, socioeconomic statistics, available office, R & D, and production space, and development authorization expediting. DED maintains an inventory listing of available office, R & D and industrial space in the County. A Small Business Guide is also available to assist business start-ups and expansions in the County. DED teamed up with the Small Business Development Center (SBDC) in 1993 to provide specialized counseling services to small and start-up businesses in the County. SBDC is a joint partnership among the State of Maryland, the County and the Small Business Administration.

Economic Development Fund

Businesses seeking to establish a presence or expand facilities in the County may qualify for assistance through the County's Economic Development Fund. Established in 1995, the Economic Development Fund provides assistance to private employers who will retain jobs already in the County or who create jobs through the expansion of current businesses or location of new businesses to the County. As part of its Business and Industrial Development Program, DED identifies and develops prospects that meet the criteria for grants or loans from the Economic Development Fund. DED works to develop offers of assistance, frequently in close cooperation and coordination with the State of Maryland, and frequently leveraging additional offers of assistance from State sources. The fund is administered by the Department of Finance.

As of March 10, 1999, 112 offers for grants and loans totaling $8.8 million have been accepted. The economic impact of these transactions is estimated to include: 16,100 jobs retained or gained; over $380 million in private investment; and an annual net revenue return of almost $15 million.

Economic Advisory Council (EAC)

This 24-member blue ribbon group advises the County Government on important economic development policies, as well as on fiscal, budgetary, and management issues. Comprised of business, education, and community group representatives, the EAC helps DED evaluate economic trends and develop strategies related to the County's employment base and the attraction, retention, and growth of businesses; and organize teams of specialists to assist County Government with particular management issues.

Shady Grove Life Sciences Center

The Shady Grove Life Sciences Center (the "Center") is an advanced research technology park exclusively oriented to the needs of biotechnology firms and health care businesses. It is also home to Montgomery County campuses of the University of Maryland and The Johns Hopkins University. The Center is owned, developed and operated by the County. DED has the lead responsibility for coordinating the development and operation of the Center.

The Center's first biotech tenant, Otsuka Pharmaceutical Company, a major Japanese firm, leased land at the Center and completed construction of a 25,000 square foot research facility that opened in 1985. Since then, Otsuka has leased 70,000 square feet of office space off-site and is currently completing a 30,000 square foot addition to their research facility. BioReliance Corporation, formerly Microbiological Associates, occupies 80,000 square feet of research and development space and recently occupied a new 50,000 square foot headquarters facility. Their gene therapy division will be occupying a new 60,000 square foot manufacturing facility in the fourth quarter of 1999.

In 1988, Montgomery County concluded a sale of 11.4 acres at the Center for phased development of Key West Research Center. This site includes 250,000 square feet of speculative laboratory space for small and mid-sized biotech firms. All of the buildings on the site have been constructed and are 100% leased to several biotech operations, including Human Genome Sciences, EntreMed, Large Scale Biology, National Institutes of Health, and others. Life Technologies Inc. ("LTI"), entered into a lease-purchase agreement for a 19-acre parcel and moved into its new 150,000 square foot R&D facility training center in February 1997. A 50,000 square foot headquarters facility attached to the existing building was completed in mid-1998. The University of Maryland dedicated in December 1996 its second education building, which includes conference and laboratory space. An 80,000 square foot expansion of the Center for Advanced Research in Biotechnology was completed in the summer of 1997.

The County has also completed construction of the Maryland Technology Center, which will serve as the permanent home for the County technology incubator providing office and lab space for start-up infotech and biotech companies. The Johns Hopkins University is constructing a second campus building, to be completed in late 1999. The newest addition to the Center is ATTO Instruments, who will construct a 40,000 square foot headquarters/instrumentation facility on the last available parcel in the park.

Facilities and Services

Maintenance of County facilities is the function of the Department of Public Works and Transportation, Division of Facilities and Services. The Facility Engineering, Maintenance and Operations, and Services sections now employ in total a staff of 124, with a budget of $16.9 million. The Division performs work directly and also increasingly by contract. Contract administration functions include elevators, structural and roof repairs, heating and air conditioning, custodial services and grounds maintenance. Remodeling and renovation efforts previously performed by the Division's in-house staff have been replaced by contractual work. A computerized preventive maintenance/work order system has been developed for scheduled inspections and preventive maintenance. A new work order procedure has been implemented which provides the tracking of work orders and advising user agencies of maintenance schedules. A customer service unit has been established to maintain control of contractor costs and in-house shop productivity.

Libraries

There are 22 libraries located throughout the County. Four of these **--** Bethesda, Wheaton, Rockville, and Gaithersburg **--** are regional libraries with typical collections of 130,000 to 200,000 items, and are open 57 hours per week plus Sundays during the school year. Two weekly bookmobile routes provide limited book selections to 34 communities. A library is also operated at the County Detention Center. Total circulation was 9.84 million in FY98. Per capita circulation of 11.8 books is among the highest in Maryland and nationally.

Liquor Control

A County monopoly on the sale of all alcoholic beverages was established by State legislation effective in December, 1933. The Liquor Control Board, established in 1933, was abolished on July 1, 1951, and the Montgomery County Department of Liquor Control was established. It is the only county-operated liquor monopoly in the nation.

The Department's responsibilities include the operation of 24 County liquor stores (with another store scheduled to open in May 1999) and a County liquor warehouse, with distribution of alcoholic beverages from the warehouse to the County stores and to approximately 800 licensees, including beer and wine stores, restaurants, and clubs. Currently, four private contractors operate County stores. The Department, with 205 full-time and 22 part-time employees, is a self-supporting business enterprise. All operating requirements are included in the Department's annual budget, and income in excess of departmental needs is transferred to the General Fund to finance other governmental operations.

Public Safety

Fire Departments

Fire and volunteer rescue services in the County are provided by 19 independent corporations, which operate 33 fire and rescue stations. The Montgomery County Fire and Rescue Service carries out overall planning, fire prevention programs, operation of a centralized dispatch service, and training, and acts as a liaison between fire departments and other agencies. There are 873 uniformed career employees who man the fire departments in the County, as well as 800 trained volunteer firefighters, and 66 trained volunteer paramedics.

Police Department

The Montgomery County Police Department is a highly trained merit system force consisting of an authorized strength of 1,033 sworn officers and 474 civilian employees. During 1994, the Department developed a Workload Analysis Formula to determine the number of patrol officers needed to staff beats. In FY99, this formula is being reviewed to determine its continued applicability, and workload analyses are being used to determine the number of staff (sworn and civilian) needed to perform the functions assigned to the units. Since FY94, the County has received $8.2 million in Federal funding to defray the cost of additional officers during the term of the grants.

In coordination with the Department of Corrections and Rehabilitation, and other County law enforcement agencies, the Department initiated the central processing of adult arrestees at the County Detention Center in Rockville. Federal and State grants have been used to equip and staff this function. The Department is completing the development of a Strategic Facilities Plan designed to identify the long-term facilities needs. The Plan recommendations will serve as the basis for the Department's Capital Improvement Program, and future Capital Budgets. In coordination with other County agencies, the Department is participating in the replacing the existing County radio system with an 800Mhz system that will accommodate both voice and data transmissions.

Training is conducted at the Public Service Training Academy located on Route 28 in Rockville. Police recruits must complete a 41-week course that includes classroom and field training. The Department was recently re-accredited by the Commission for the Accreditation of Law Enforcement Agencies.

Department of Correction and Rehabilitation

The Department of Correction and Rehabilitation provides progressive and comprehensive correctional services through a variety of detention and supervision programs. The department operates several facilities including the Montgomery County Detention Center (MCDC) and a Pre-Release Center. The Detention Center, located in Rockville, houses men and women serving sentences up to 18 months, or awaiting trial or sentencing. In FY98 the local inmate average daily population was 660. This population is projected to grow over the next 20 years to over 1,000 inmates by the year 2020. The County's Approved (with amendments) FY99-04 CIP includes $78.0 million for the construction of a new detention center, and planning dollars for the renovation and re-use of the MCDC, in order to meet this need.

Solid Waste Management

The County has implemented a comprehensive solid waste management program to handle waste generated in the County. The basic elements of the program are source reduction, recycling, resource recovery and landfill maintenance.

The County has established aggressive goals to achieve a source reduction and recycling rate of 50 percent by FY2000. The program includes curbside collection of yardwaste, newsprint and glass, and metal and plastic containers from 196,000 single-family households. County collection of mixed paper from these households is being added during the period of March 1999 to August 2000. Municipal collection at another 32,000 single-family homes is expected to contribute mixed paper by the end of that period. Under a contract with the County, the Maryland Environmental Service ("MES") constructed and operates two facilities for the processing and marketing of the materials. MES operates a 42-acre composting facility located in the northwest part of the County which processes yard trimming materials collected in conjunction with a ban prohibiting disposal of yard waste effective January 1, 1994. A Materials Recovery Facility, located mid-County, is operated by MES and is capable of processing 200 tons per day of recyclable containers. It also receives up to 280 tons per day of newsprint which are transferred to market. On December 16, 1998, the County entered into a long-term agreement with Office Paper Systems (OPS) to develop a mixed-paper processing facility. Until that new facility is completed, OPS will process mixed paper at an interim facility. The County has also enacted mandatory multi-family and commercial recycling regulations and works with such properties to design and operate recycling programs.

The County's non-recycled waste is accepted at the County's Shady Grove Transfer Station and transported by rail to the County's 1,800 ton-per-day mass burn Resource Recovery Facility ("RRF") adjacent to the Potomac Electric Power Company ("PEPCO") power plant near Dickerson, Maryland. The facility, which is operated by Ogden Martin Systems of Montgomery Inc., began commercial operations in August 1995. The RRF generates electricity which is sold under a long term contract to PEPCO. A new landfill (known as Site 2), located approximately two miles from the RRF, is being permitted with adequate capacity for the disposal of all ash, by-pass and non-processible waste. Under County Council Resolution 13-514, adopted May 7, 1996, the County will continue its permitting efforts, but will not develop the Site 2 landfill unless economic conditions or changes in law render out-of-county waste disposal infeasible. The County began the export of ash, by-pass products, and non-processible waste on October 20, 1997. The Oaks Landfill was closed on October 22, 1997.

Transportation

Roads

The Department of Public Works and Transportation's objective is to ensure full, continuous, and safe use of the County's highway system by performing routine, preventive, and emergency maintenance to roads, bridges, sidewalks, curbs and gutters, and storm drainage systems. This section has 290 full-time and 12 part-time positions with a FY99 budget of $20.3 million.

During FY99, the County is responsible for maintaining: 2,462 miles of roads and streets; 984 miles of sidewalk; 2,030 miles of curb and gutter; 803 miles of storm drainage; and 185 bridges.

Ride-On Bus System

The County-operated Ride-On bus system operates on 77 routes throughout Montgomery County. All Ride-On buses serve one or more of the 12 Metrorail Red Line Stations in the County. It is anticipated that 19 million passenger trips (including transfers) will occur in the County's system in FY99. The Bethesda-Silver Spring Ride-On consists of 97 buses on 28 routes, and provides 21 hours of service per day Monday through Saturday, and 20 hours on Sunday. The Gaithersburg-Rockville Ride-On consists of 83 buses on 27 routes, for 19 hours of service Monday through Saturday, and 17 hours on Sunday. The entire fleet consists of 231 vehicles to meet service demands. In addition, a contractor provides 55 vehicles to service 29 routes with fewer riders.

As a part of a comprehensive fleet management program to reduce the average fleet age and provide capacity for planned service expansion, the County plans for the purchase of 20 replacement buses annually. The replacement is accomplished through direct purchase of buses using Mass Transit Special Revenue Fund current revenues each year.

Parking Districts

There are four parking lot districts in the major commercial areas of the County. Prior to 1987, general obligation bonds were issued by the County to finance the construction of parking facilities in these areas. In 1987, the County began using parking revenue bonds. A special ad valorem tax is levied on certain commercial property located within each district to service debt used to finance parking facilities within the district, the maintenance and operation of such facilities, and capital construction projects within each district. Other significant sources of revenue used to finance the parking program are meter collections, fees from off-street lots and parking garages, and parking fines. The County has issued parking revenue bonds in the amount of $55 million for land acquisition, construction, repair and renovation of parking facilities. The four districts collectively have 15 garages with a total of 14,382 parking spaces; 29 surface lots with 2,731 spaces; and 2,148 on-street metered spaces.

Other Services

Education

The 1990 Census indicated that the County residents continue to be more highly educated than the rest of the nation or the State. The proportion of County residents 25 years old or over completing four or more years of college increased from 33.2 percent in 1970 to 51.9 percent in 1990, compared with 26.5 percent in Maryland. This proportion continued to increase to 55.5 percent in 1994 as indicated by the Maryland-National Capital Park and Planning Commission (M-NCPPC) Census Update Survey. Twenty-seven percent of the adult population has advanced degrees. In 1990, high school graduates accounted for 90.3 percent of the County population aged 18 and over, considerably above the 79.5 percent proportion in 1970, the 87.3 percent in 1980 and the 78.4 percent in 1980 State-wide and nationally. The M-NCPPC Census Update Survey indicated in 1994 that high school graduates accounted for 92.0 percent of the adult County population.

Within a 40-mile radius of Montgomery County, there are 32 four-year colleges and universities offering four-year degrees in various disciplines. Many of those institutions offer advanced degree programs in engineering, medical, business and computer sciences. The following table lists selected schools within or near the County and shows the enrollment and offered degrees for each institution.

Table A-3
Secondary Education

School	Enrollment	Types of Degrees Offered
American University	9,802	4-year, professional
Catholic University	5,600	4-year, professional
Hood College	1,890	4-year, professional
Howard University	6,323	4-year, professional
Johns Hopkins University	16,000	4-year, professional
Montgomery College	38,548	2-year
University of Maryland	32,711	4-year, professional

Note: Most current data available for each institution.

Montgomery County Public Schools

The Montgomery County Public Schools (MCPS) is governed by an elected Board of Education comprised of eight members, including one student member. The Board, which was created by State law, appoints the Superintendent and all other employees. Currently the 11th fastest growing school district in the nation, the system operates 185 elementary and secondary schools, and one career center. The operating budget is $1.034 billion for FY99, with 76 percent of the budget dedicated to student instruction. The emphasis that County residents place on education is reflected in per pupil operating expenditures of $8,089 in FY99, and in the high percentage of high school graduates who continue formal education. The MCPS professional staff complement (full-time equivalent) is 8,715, with a student to instructional staff ratio of 14.7:1.

In FY99, actual enrollment is nearly 128,000 students, 2.3 percent above the previous year. Between 1985 and 1999, 38 schools have been built or reopened in response to increasing enrollments. Four new schools will be opened in FY 2000, including three middle schools and one elementary school. Enrollment in the public schools is anticipated to continue to increase, with 135,000 students projected for 2003.

Financial Institutions

There are 47 commercial banks and federal savings banks, and 20 federal credit unions, which operate 286 branch bank locations throughout the County. Chevy Chase Bank, the largest Maryland bank operating in the County, is Bethesda-based with 46 locations and $3.1 billion in deposits in Montgomery County. Among the largest banks in and around the County are Crestar, with 40 locations in the County, and total deposits of $2.2 billion; NationsBank of Maryland, with 32 locations and total deposits of $2.1 billion; and First Union Bank, with 16 locations and total deposits of $1.1 billion. Total deposits in the County decreased from $13.3 billion at June 30, 1997 to $12.6 billion at June 30, 1998, a decrease of 5.3 percent.

Healthcare

Five accredited hospitals are located within the County: Holy Cross Hospital in Silver Spring, Suburban Hospital in Bethesda, Washington Adventist Hospital in Takoma Park, Shady Grove Adventist Hospital, near Gaithersburg, and Montgomery General Hospital in Olney. One military hospital, Bethesda Naval Hospital, has a facility in the County, and the National Institutes of Health in Bethesda operates one of the world's foremost centers of medical research. Also accessible to the County are Frederick Memorial Hospital in Frederick County; Laurel Regional Hospital and Prince George's Hospital Center, in Prince George's County; Walter Reed Army Medical Center, and 10 other hospitals in the District of Columbia; and 11 hospitals in Northern Virginia.

Parks

The Maryland-National Capital Park and Planning Commission administers more than 28,093 acres of parkland in the County. This includes nine regional and recreational parks, each consisting of over 200 acres, and 338 different park and open space areas, most locations serving as local and neighborhood parks. These parks feature 636 acres of lakes including Lake Frank, Lake Needwood, Little Seneca Lake, and a small lake at Wheaton Regional Park. Additionally, the 1,865-acre Seneca Creek State Park is located in the heart of the County. The National Park Service provides additional park facilities including the C & O Canal National Park and Great Falls National Park.

Transportation

Air Transportation

The County is well served by three major airports located within 35 miles of Rockville, the County seat. These airports provide high levels of short, long, and international flight services.

Ronald Reagan Washington National Airport (Reagan National) is located in Arlington County, Virginia across the Potomac River from Washington, D.C. Reagan National is accessible to Montgomery County by Metro's Red Line (via a transfer to either the Yellow or Blue Lines). A significant renovation of facilities was completed in 1997, including a new Main Terminal and Middle/North Parking garage. The airport serves approximately 43,600 passengers per day (15.9 million passengers a year) with flights that provide commercial, general aviation and commuter service. Serving as a "short-haul" airport, Reagan National offers non-stop service to destinations no more than 1,250 miles from Washington, D.C.

Dulles International Airport (Dulles) is located in adjacent Fairfax/Loudoun counties, Virginia. Dulles serves 37,800 passengers a day, with approximately 930 flights that include commercial, general aviation and commuter service. Approximately 13.8 million passengers fly into and out of Dulles each year, with 3.1 million of those passengers on international flights. The 16-mile Dulles Access Highway provides two dedicated lanes in each direction and a direct connection to Interstate 66 and the Beltway. A major expansion of the main terminal has been completed, doubling the original terminal in length, and the construction of midfield terminals is underway.

Baltimore-Washington International Airport (BWI) is located in Anne Arundel County, Maryland. BWI handles 38,600 passengers daily (14.1 million a year). Also recently renovated and improved, BWI is accessible from the County via the Beltway and either Interstate 95 or the Baltimore/Washington Parkway.

Metrorail Transit System

Services of the Washington Metropolitan Area Transit Authority are the backbone of the County's transit system. Twelve rapid rail stations, with 12,000 parking spaces and served by 145 Metrobuses, provide service to County residents, workers, and visitors. With the opening of the final Metrorail station in the County (Glenmont) in July 1998, there are now 19.5 miles of rail service operating in the County. County residents make approximately 137,000 Metrorail trips each weekday.

Metro is a planned 103-mile regional network connecting Washington, D.C. with the expanding Maryland and Virginia suburbs. It includes 38.3 miles of rapid transit services in the District of Columbia, 35.3 miles in Maryland and 29.4 miles in Virginia. The completed system will utilize subway, surface tracks and aerial structures. Partial service within all three jurisdictions, comprising 75 stations and 94 miles, is currently in operation. An additional seven stations and nine miles are under construction or substantially completed.

Other Mass Transit

Another significant element in the mass transit system is Metrobus, which carries 15 million passengers annually on major trunk lines such as East-West Highway, Georgia Avenue, and Colesville Road. Approximately 145 Metrobuses operate on 36 routes in the County. In addition, the Maryland Mass Transit Administration operates MARC commuter rail service with ten stations in the County. County residents make approximately 2,500 trips on MARC each weekday. There are also privately operated commuter bus services into Montgomery County from Hagerstown, Frederick, and Columbia, Maryland, subsidized by the Maryland Department of Transportation, connecting to Metrorail stations in the County.

Travel and Tourism

Travel and tourism generated approximately $800 million in related expenditures, $227 million in payroll and 13,000 jobs in the County during 1997. Average annual employment in tourism that year was 14 percent of the State's total tourism employment. Average local tax receipts in 1997 were in excess of $26 million; state tax receipts generated were in excess of $42 million.

The Conference and Visitors Bureau of Montgomery County is a public-private non-profit membership organization dedicated to the promotion of travel and tourism to the County. On behalf of its membership, the Bureau participates in travel industry trade shows across the country, sponsors familiarization tours for tour operators, travel agents and travel writers, and manages a Visitors Information Center minutes off the I-270 corridor. The Bureau has been instrumental in helping to establish the Montgomery County Conference Center, an executive-level, state-of-the-art meeting facility to be located adjacent to the White Flint Metro station.

Utilities

Potomac Electric Power Company (PEPCO) serves the major portion of the County, with additional service from the Baltimore Gas and Electric Company (BGE), and the Potomac Edison Company. Three natural gas transmission pipeline companies (Columbia Gas Transmission, CNG Transmission, and Transcontinental Gas Pipeline Corporation) traverse the County, supplying it with Appalachian and Southwest natural gas. Washington Gas distributes this natural gas.

Water and Sewer Service

Operation and maintenance of the water and sewer system in the County is the responsibility of a bi-county agency, the Washington Suburban Sanitary Commission (WSSC). WSSC operates under State law and is governed by a six-member Commission. The county executives of Montgomery County and Prince George's County each appoint three members, subject to confirmation by the respective county councils. The FY99 approved operating budget for WSSC totals $435.9 million.

Two major sources, the Potomac and Patuxent Rivers, provide the raw water supply. WSSC has 14 billion gallons of water supply storage and an effective filtration capacity of 320 million gallons per day ("MGD"). Most of the WSSC sewage flows through a gravity trunk line system for treatment at the Blue Plains Wastewater Treatment Plant in Washington, D.C. The District of Columbia has initiated a major project to increase wastewater treatment capacity through the expansion and upgrading of the Blue Plains Wastewater Treatment Plant from 309 MGD to 370 MGD.

Maintenance of WSSC property is the function of the Systems Maintenance, Facilities Maintenance, and Maintenance Reconstruction Divisions, which are responsible for systems maintenance, systems reconstruction, electrical/mechanical maintenance, instrumentation/communications, and utilities. These Divisions operate 24 hours each day. WSSC contracts annually for cleaning, removing debris, and mortar lining of several miles of water main. There is a routine fire hydrant inspection program, and an extensive, expanding preventive maintenance effort is currently under way.

(The remainder of this page has been left blank intentionally.)

FINANCIAL INFORMATION

Accounting System

The accounts of the County are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Montgomery County Comprehensive Annual Financial Reports ("CAFR") for all fiscal years since 1972, and as early as 1951, have been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada ("GFOA"). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The County believes the Fiscal Year 1998 CAFR continues to conform to the Certificate of Achievement Program requirements, and has submitted it to the GFOA.

Reporting Entity

The County reporting entity is determined by criteria set forth in promulgations of the Governmental Accounting Standards Board. The reporting entity includes the fiscal activities of Montgomery County Government, as the primary government, and Montgomery County Public Schools, Montgomery Community College, Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, and the Bethesda Urban Partnership, Inc., as component units. Not included within the reporting entity are the Montgomery County portion of Maryland-National Capital Park and Planning Commission (the "M-NCPPC", a bi-county agency), Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, Metropolitan Washington Council of Governments, and the Northeast Maryland Waste Disposal Authority. These entities are considered joint ventures and disclosure of the County's participation in these joint ventures is presented as a footnote to the County's financial statements included in its General Purpose Financial Statements (see Appendix B).

Basis of Accounting

The financial operations of the Governmental Funds (i.e., General, Special Revenue, Debt Service, and Capital Projects) and the Expendable Trust and Agency funds are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liabilities are incurred, except for principal and interest on long-term debt which are recorded when due. In addition, an encumbrance system is employed in the Governmental Funds to account for expenditure commitments resulting from approved purchase orders and contracts.

The financial operations of the Proprietary Funds (i.e., Enterprise Funds and the Internal Service Funds) and Pension and Non-expendable Trust Funds are maintained on the accrual basis of accounting, in which all revenues are recorded when earned, expenses are recorded at the time liabilities are incurred, and allocations of interest and depreciation/amortizaton are recorded for the fiscal period.

ANNUAL BUDGETS

Operating Budget and Tax Rates

On May 28, 1998 the County Council approved the FY99 operating budget comprising the County Government, MCPS, the College, M-NCPPC and the various fire departments aggregating $1.941 billion. This budgetary level represents an increase of 8.2 percent over the adopted budget for FY98. It provides the greatest share (49.6 percent) of total resources to Montgomery County Public Schools, including funding necessary for an estimated 2,800 new students in grades K-12. Funds for Montgomery College are included for an increase greater than enrollment growth. In addition, public safety and criminal justice, health and human services, public works, recreation, parks, arts, and library programs are funded for important improvements in FY99, as well as technology and compensation improvements.

The approved FY99 budget provided for an undesignated surplus of $50.1 million in the General Fund and $61.2 million across all tax supported funds. The County has taken appropriate actions to address the Year 2000 computer problem, including cumulative appropriations of $39.2 million for remediation and assessment of critical systems. These actions address this problem for all agencies of the County government.

For FY99, the Council approved a $0.02 rate reduction in the total County property tax rate to conform to the FIT limitation as adopted under the County Charter. Hence, the total County property tax rate declined to $2.578 per $100 of assessed value. Real property in Maryland is assessed at 40 percent of full market value, while personal property is assessed at 100 percent of full market value.

Capital Budget/Capital Improvements Program (CIP)

The County Council approved a Capital Improvements Program for the County Government and the required agencies aggregating $1.98 billion for FY99-04 after adjustment for inflation. This approved program provided for County bond funding over the six-year period FY99-04 aggregating $744.7 million.

Legal Framework for Budgeting

As required by the County Charter, the County Executive submits to the County Council, not later than January 15, a comprehensive six-year Capital Improvements Program ("CIP") in each even numbered year, and a Capital Budget each year. In addition, the County Executive, not later than March 15 of each year, submits an annual Operating Budget, a six-year Public Services Program ("PSP"), and Fiscal Policy.

The Capital Improvements Program includes a statement of the objectives of capital programs and the relationships of capital programs to the County's long-range development plans; recommends capital projects and a construction schedule; and provides an estimate of costs, a statement of anticipated revenue sources, and an estimate of the impact of the program on County revenues and the operating budget. The capital improvements program, to the extent authorized by law, includes all capital projects and programs of all agencies for which the County sets tax rates or approves budgets or programs.

The fiscal program shows projections of revenues and expenditures for all functions, recommends revenue and expenditure policies for the program and analyzes the impact of tax and expenditure patterns on public programs and the economy of the County.

As part of the six-year CIP and PSP programs, the County Executive includes the proposed capital and operating budgets containing recommended levels of expenditures and sources of revenue for the ensuing fiscal year. In addition, a summary is submitted containing an analysis of the fiscal implications for the County of all available budgets of all agencies for which the County Council sets tax rates, makes levies, and approves programs or budgets. These other agencies include the Montgomery County Public Schools, Montgomery College, the Maryland-National Capital Park and Planning Commission, the Housing Opportunities Commission of Montgomery County, the Montgomery County Revenue Authority, the Washington Suburban Sanitary Commission (a bi-county agency), the Washington Suburban Transit Commission (a bi-county agency), and the 19 independent Fire and Rescue Corporations.

The County Council must hold public hearings on the proposed budgets and six-year programs commencing not earlier than twenty-one days following their receipt. The County Council may add to, delete from, increase or decrease any appropriation item in the operating or capital budget and approves the budget, as amended, and appropriates the funds not later than June 1 of the year in which it is submitted. By June 30th the County Council makes the tax levies deemed necessary to finance the budgets for the ensuing fiscal year beginning July 1. Pursuant to a Charter amendment adopted in the November 1990 general election, the County Council may not levy an ad valorem tax on real property to finance the budgets that will produce total revenue that exceeds the total revenue produced by the tax on real property in the preceding fiscal year plus a percentage of the previous year's real property tax revenues that equals any increase in the Consumer Price Index unless approved by the affirmative vote of seven council members. This limit does not apply to revenue from 1) newly constructed property, 2) newly rezoned property, 3) property that, because of a change in State law, is assessed differently than it was assessed in the previous tax year, 4) property that has undergone a change in use, and 5) any development district tax used to fund capital improvement projects.

The Charter requires that certain County capital improvement projects must be individually authorized by local law, which would be subject to referendum upon timely petition of five percent of the County's registered voters. The Charter also requires approval of the aggregate operating budget by the affirmative vote of six council members, as opposed to a simple majority, when it exceeds the budget for the preceding year by a percentage which is greater than the percentage increase in the Consumer Price Index for all urban consumers for the Washington metropolitan area for the twelve months preceding December 1 of each year, as published by the U.S. Department of Labor. In addition, a Charter amendment adopted at the November 1990 general election requires the County Council to annually adopt spending affordability guidelines for the capital and operating budgets, including guidelines for the aggregate capital and operating budgets. Any aggregate capital budget or aggregate operating budget that exceeds the guidelines then in effect requires the affirmative vote of seven of the nine council members for approval.

Major Sources of Revenue

Even though the local property tax remains the largest revenue source, when measured by all Funds, a comparison of General Fund revenues shows that, effective FY99, the largest revenue source for the County is the local income tax. This tax, which is levied by the County Council and administered by the State, is computed at the rate of 60 percent of the State income tax. Although the State reduced the income tax rate and increased the exemption amount starting with tax year 1998, all local jurisdictions are held harmless from this change in the Tax Law, by requiring that the "piggyback" computation be based upon a State income tax using the rate prior to the law change. Distribution of tax collections are remitted to the County essentially on a quarterly basis. Due to strong economic growth, employment expansion, and strong equity market returns, this revenue source has experienced significant gain in the past few years. As a result, anticipated revenues from this source are expected to approximate 44 percent of the County General Fund operations for FY99 – up from 38 percent just three years ago.

Measured by General Fund revenues, the second largest source of revenue to the County is the local property tax. For FY99 the general County tax, levied on all assessable property in the County at the rate of $1.923 per $100 of assessed valuation, is expected to generate approximately 39 percent of the total County General Fund operating revenue requirements – down from a 46 percent share three years ago. The proceeds of this tax levy are used to finance the County's General Fund operations, which include the local financial support of the public school and community college operations.

Other sources of General Fund revenue include the local real property transfer, recordation, fuel-energy, telephone, and hotel/motel taxes, State grants and reimbursements, State-shared taxes, interest on investments, charges for services, and licenses and permits.

Status of the General Fund

Montgomery County concluded the fiscal year ended June 30, 1998, with a General Fund balance of $148.5 million. This amount was $115.6 million higher than the estimated budget amount of $32.9 million. Contributing factors for the positive variance from the budgeted fund balance are described below.

General Fund Revenues

General Fund revenues of $1,462.2 million were $109.7 million, or 8.1 percent, above the budget estimate for FY98. Within this category, higher than projected tax revenues contributed close to 96 percent of the General Fund variance from the FY98 budget estimate, while Intergovernmental revenues were the other significant source of the total General Fund variance (3 percent).

The County income tax was the source of the largest variance over the budget estimate, and contributed 70 percent to the total General Fund revenue variance. This revenue source received a substantial boost from higher capital gains income due to the booming stock market, as well as stock options, corporate bonuses, and sales commissions from an expanding economy over the past two fiscal years. Revenues jumped almost 11 percent in FY98, following a 13 percent increase in the prior fiscal year. Because of Montgomery County's high concentration of wealthy taxpayers, the County receives a large share of non-wage income, amounting to roughly 30 percent of taxable income. An additional factor contributing to the strong FY98 income tax collections was employment growth that exceeded growth in the past number of years. As a result of income tax liability growth in non-wage and wage categories, both estimated payments and withholdings jumped more than 11 percent from FY97. Similar to the FY97 experience, receipts also increased due to significant growth in late-filer collections from taxpayers who had underestimated their 1996 tax liability, which the County otherwise would have received in fiscal year 1997. As a result of these trends, collections were $602.8 million, or $73.5 million above the original budget estimate.

Property tax collections exceeded the budget estimate by less than one percent and contributed $5.4 million to the excess collections in the General Fund. Total collections were $607.2 million, or 0.9 percent above the budget estimate. Although part of this growth was due to slightly stronger growth in the assessable base, the largest part was due to higher than expected prior year receipts, plus penalties and interest. The property tax base grew 1.8 percent in FY98, and includes the additional properties located in Takoma Park, which transferred from Prince George's County on July 1, 1997. Growth in the assessable base occurred in the real property category, which increased 2.5 percent in FY98 (2.0 percent excluding Takoma Park), but experienced a 3.6 percent decline in the personal property base. Most of the decline in the personal property base was in the corporate category, which was adversely effected by numerous changes in the tax law pertaining to the depreciation of computer equipment and an expanded number of exemptions.

The third major tax category in the County is the combined transfer and recordation taxes, which experienced a 40.1 percent jump in receipts in FY98 due to a booming real estate market. Total receipts for these two taxes came in $23.3 million above the budget estimate, and contributed 21 percent to the total General Fund revenue variance. Until June 1997, the real estate market had remained weak in the County, despite a strong economy, low mortgage interest rates, high consumer confidence, and a tight labor market. At the onset of FY98, however, the market experienced a dramatic improvement and has remained on this upward trend since. Real estate market growth was broad-based, and strong in both the residential and commercial sector. The number of residential sales in FY98 jumped more than 15 percent, while the number of commercial sales increased 23 percent. In addition, average taxes for both categories increased to their highest level in more than a decade. In both cases, the "wealth effect" from the booming equity markets, and corporate bonuses and stock options, are expected to have contributed to sales at the high end of both the commercial and residential real estate markets, driving up the average tax.

Reflecting the broad-based economic growth in the County in FY98, the remaining tax sources (i.e., hotel-motel, fuel-energy, telephone, and admissions taxes) and investment income came in close to 6 percent above the budget estimate for these combined revenue sources of $55.3 million.

General Fund Appropriations and Transfers

In addition to a significant increase in General Fund receipts above the projected revenues in FY98, expenditure savings amounted to $6.4 million. The majority of these savings occurred in lower than projected operating costs for the Department of Health and Human Services ($2.5 million) and the Year 2000 Project ($2.5 million). Offsetting the increased General Fund revenue and expenditure savings was a mandatory transfer to the Revenue Stabilization Fund of $21.4 million at the close of FY98. Generally, half of the General Fund receipts from income taxes, transfer and recordation taxes, and investment income above the budgeted amount must be transferred to the Revenue Stabilization Fund. Stronger than projected receipts in all four categories contributed to this mandatory transfer.

(The remainder of this page has been left blank intentionally.)

Table A-4
Montgomery County, Maryland
Schedule Of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual			Fiscal Year Budget	Actual July 1, 1998 to December 31,
	1996[(1)]	1997[(1)]	1998	1999	1998 (Unaudited)
Revenues:					
Taxes:					
Property, including interest & penalty	$ 588,863,403	$ 600,935,772	$ 607,196,112	$ 592,615,940	$ 526,865,930
Transfer tax and recordation tax	55,522,922	59,215,610	82,969,763	68,000,000	44,075,442
County income tax	480,813,128	544,258,411	602,825,620	608,570,000	245,664,236
Other taxes	36,200,297	41,279,872	42,751,420	43,670,000	13,598,197
Total Taxes	$1,161,399,750	$1,245,689,665	1,335,742,915	1,312,855,940	830,203,805
Licenses and permits	10,596,600	4,181,237	4,284,392	4,265,680	1,063,892
Intergovernmental revenue[(2)]	48,823,200	74,642,772	87,994,220	89,072,030	37,968,473
Charges for services[(2)]	10,637,506	7,810,748	8,319,726	8,422,140	2,967,521
Fines and forfeitures	3,316,680	3,263,302	3,042,264	2,936,600	1,417,739
Investment income	13,306,184	12,582,267	15,735,564	12,750,000	9,223,184
Miscellaneous	8,123,967	5,946,647	7,071,441	6,123,880	2,589,172
Total Revenues	$1,256,203,887	$1,354,116,638	$1,462,190,522	$1,436,426,270	$885,433,786
Expenditures (including encumbrances):					
General County:					
General government	114,428,847	112,378,368	130,541,248	145,671,245	77,671,272
Public safety	122,434,755	136,433,359	145,807,258	151,170,025	76,792,727
Transportation and public works	39,842,811	31,312,287	29,303,085	31,381,906	17,770,184
Health and human services[(3)]	78,567,922	94,760,788	106,850,279	117,432,802	68,928,879
Culture and recreation	24,424,191	25,626,419	27,699,078	35,063,699	16,819,627
Housing	2,394,809	2,294,894	2,484,460	6,415,493	4,471,760
Environment	10,218,124	2,194,314	2,365,887	3,323,455	1,932,163
Total Expenditures	$ 392,311,459	$ 405,000,429	$ 445,051,295	$ 490,458,625	$ 264,386,612
Operating Transfers In (Out)[(4)]:					
Operating Transfers In:					
Special Revenue Funds	8,398,600	8,017,031	9,139,096	9,097,920	5,600,283
Enterprise Funds	13,443,260	13,349,780	16,864,000	17,042,960	8,521,480
Trust Funds	--	--	--	--	--
Internal Service Funds	6,000,000	8,700,000	--	--	--
Component Units	--	149,705	100,295	60,000	--
Total Operating Transfers In	$ 27,841,860	$ 30,216,516	$ 26,103,391	$ 26,200,280	$ 14,121,763
Operating Transfers Out:					
Special Revenue Funds	(15,721,903)	(22,384,306)	(25,908,256)	(4,841,163)	(2,137,440)
Debt Service Fund	(119,330,720)	(124,574,439)	(127,342,718)	(137,183,170)	(68,591,585)
Capital Projects Fund	(17,000,872)	(13,669,207)	(14,501,913)	(41,335,500)	(3,202,827)
Enterprise Funds	(1,661,571)	(1,459,644)	(4,736,579)	(4,005,090)	(2,002,545)
Internal Service Funds	(656,000)	(1,798,050)	(1,031,750)	--	--
Component Units	(772,426,399)	(788,678,833)	(833,422,826)	(878,898,056)	(439,457,757)
Total Transfers Out	(926,797,465)	(952,564,479)	(1,006,944,042)	(1,066,262,979)	(515,392,154)
Net Operating Transfers In (Out)	(898,955,605)	(922,347,963)	(980,840,651)	(1,040,062,099)	(501,270,391)
Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out	(35,063,177)	26,768,246	36,298,576	(94,094,454)	119,776,783
Fund Balances, July 1 as previously stated	89,857,232	63,860,831	101,680,857	148,530,451	148,530,451
Adjustment for previous year encumbrances	9,066,776	9,733,700	10,565,018	17,704,464	17,704,464
Fund Balances, July 1 restated	98,924,008	73,594,531	112,245,875	166,234,915	166,234,915
Equity transfers in (out)	--	1,318,080	(14,000)	--	--
	63,860,831	101,680,857	148,530,451	72,140,461	286,011,698
Current Fiscal Year projections:					
Revenues/transfers in remaining[(5)]	--	--	--	--	651,493,491
Expenditures/transfers out remaining[(5)]	--	--	--	--	(758,185,062)
Budgetary Fund Balance, June 30	$ 63,860,831	$ 101,680,857	$ 148,530,451	$ 72,140,461	$ 179,320,127

(1) Restated to reflect FY97 functional/departmental reorganizations.

(2) Revenues from FY96 and FY97 restated for reclassification of certain items from intergovernmental to charges for services.

(3) 1997 & subsequent years include increased amounts related to the transfer of Department of Social Services functions from the State to the County which was effective October 1, 1996.

(4) Transfers from FY96 and FY97 restated from net to gross basis.

(5) Estimated.

Note: Actual and budget amounts are for fiscal years ended June 30.

Table A-5
General Fund
Schedule Of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Projected July 1, 1998 to June 30, 1999 (Unaudited)
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above	$63,860,831	$101,680,857	$148,530,451	$179,320,127
Plus encumbrances outstanding	10,611,489	11,764,967	17,704,489	17,500,000 (1)
Plus prior year grant encumbrances	--	--	--	-- (1)
Adjustment for prior year encumbrances	(2,995,798)	(1,119,264)	(1,199,949)	(1,500,000) (1)
Unrealized gains (losses)	--	--	556,780	-- (1)
Net differences between beginning fund balances	3,187,182	1,069,173	297,903	1,154,734
GAAP Fund Balance as Reported/Projected	$74,663,704	$113,395,733	$165,889,674	$196,474,861
Elements of GAAP Fund Balance:				
Reservations	$12,577,708	$ 14,054,407	$ 19,915,257	$ 19,236,221 (1)
Designated for CIP Transfers	19,933,865	17,961,237	14,842,202	32,274,580 (1)
Designated for subsequent years expenditures	350,272	21,095,763	57,916,816	10,713,925 (1)
Unreserved/Undesignated	41,801,859	60,284,326	73,215,399	134,250,135 (1)
	$74,663,704	$113,395,733	$165,889,674	$196,474,861

(1) Estimated.

Note: Actual and estimated amounts are for fiscal years ended June 30.

REVENUE STABILIZATION FUND

The State of Maryland, during the 1992 State legislative session, enacted legislation authorizing political subdivisions in Maryland to establish "rainy day" or reserve funds to accommodate future funding shortfalls. Pursuant to this State law, the County established a Revenue Stabilization Fund, effective July 1, 1994.

The Revenue Stabilization Fund (the "Fund") supplements the reserve or operating margin the County annually sets aside. The County's Charter, Section 310, sets a five percent annual limit on General Fund surplus. The State law authorizing counties to set up rainy day funds expressly prevails over any contrary County charter provision. Revenues in the Fund are allowed to go as high as ten percent of the aggregate revenue from certain sources. This equates to three and one-half percent of General Fund revenues above the five percent maximum in the Charter (a total of eight and one-half percent of General Fund revenues). The Revenue Stabilization Fund provides a mechanism to level out the revenue stream and adjusts for year-to-year fluctuations beyond a certain baseline level. County law requires that 50 percent of the growth above the average of the six preceding fiscal years in certain taxes (income, property transfer, recordation, but not the property tax) and General Fund investment income, be set aside in a restricted fund. Also, 50 percent of the annual revenue from these sources in excess of the Council's original projection in the budget resolution go to the Fund. The Fund may not exceed 10 percent of the total average revenue from these sources in the preceding three fiscal years.

The Council, on the Executive's recommendation, may release up to half the balance in the Fund only if certain recessionary economic conditions occur. Two of the following three conditions must be met: l) the Director of Finance estimates that total General Fund revenues will fall more than 2 percent below the original projected revenues; 2) resident employment in the County has declined for six consecutive months compared to the same period in the previous year; and 3) a local index of leading economic indicators has declined for three consecutive months. Amounts released from the Fund can only be used for appropriations that have become unfunded.

The current revenue projection assumes that a mandatory transfer of $5.5 million will be made to this fund at the end of FY99 as the result primarily of higher than estimated income tax and transfer and recordation tax revenues. This third mandatory transfer is combined with the mandatory contribution in FY97 ($18.7 million) and FY98 ($21.4 million), and the discretionary transfers made in FY95 ($10 million) and FY96 ($4.5 million). Thus, the Revenue Stabilization Fund is projected to have reached its maximum allowable fund size of $62.2 million at the closing of FY99. Since the fund has reached more than half of its maximum fund size in the current fiscal year, according to the County law that established the Fund, interest earned from the fund must be transferred to PAYGO. The estimate of the interest transfer in FY99 is $2.8 million; a similar transfer of earned interest ($1.9 million) to PAYGO was made in FY98.

CASH AND INVESTMENT MANAGEMENT

Montgomery County maintains an active and sophisticated cash and investment management program. The primary objectives of the program are the preservation of capital, providing liquidity to meet County financial obligations, and maximization of the investment yield on the County's short-term working capital.

Working capital is managed pursuant to the Annotated Code of Maryland, modified July 1, 1995, the County Code, and the County's short-term investment policy, as approved by the County Council September 12, 1995. In February 1998, the Municipal Treasurer's Association presented Montgomery County with the Association's Investment Policy Certification, recognizing the County's success in developing a comprehensive written investment policy which meets the criteria set forth by the Association.

The County is authorized to invest in obligations for which the United States has pledged its full faith and credit for the payment of principal and interest, in obligations that a federal agency issues in accordance with an Act of Congress, or in repurchase agreements that any of the foregoing listed obligations secure. Cited statutes also authorize investments in bankers acceptances, secured certificates of deposit issued by Maryland banks, commercial paper of the highest investment grade, and in money market funds whose portfolio consists of the above investments and are also of the highest investment grade. The average maturity of the working capital portfolio is generally less than six months.

At June 30, 1998, the investment balance of the County's portfolio was $605.0 million. The average daily balance in the portfolio during FY98 was approximately $710.3 million. At the end of the previous five fiscal years the County, on average, had retained liquid balances in excess of $500 million.

RISK MANAGEMENT

On July 1, 1978, County Code Section 20-37 was enacted to establish the Montgomery County Self-Insurance Program. Since that time, the County has self-insured such exposures as workers' compensation, commercial general liability, automobile liability, professional/public official liability, certain property, and other selected risks which require treatment.

An Inter-Agency Insurance Panel comprised of the County and member agencies, and chaired by the County's Finance Director, provides overall direction, formulates insurance policy, reviews claims, and evaluates the effectiveness of the loss control program. Claims against the agencies are handled under a contract with a third party claims administrator. Legal services are provided by the Office of the County Attorney.

The County Finance Department, Division of Risk Management operates the Self-Insurance Program for the County and other participating agencies: Montgomery County Public Schools, Montgomery College, M-NCPPC, various independent fire Corporations, City of Rockville, Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County, Housing Authority of the City of Rockville, Town of Somerset, Village of Martin's Additions, and City of Gaithersburg.

In addition to the self-insured coverage, Risk Management coordinates the purchase of commercial insurance for such coverage as All Risk Property Insurance, Boiler and Machinery, Public Official and Employee Bonds, Electronic Data Processing, and others. Beginning August 1, 1997, Risk Management purchased commercial excess liability coverage with limits of $10 million above a $2 million retention.

A summary of projected FY99 operations of the program is outlined below:

	(Projected) ($000's)
Revenues:	
Contributions from participating agencies	$17,919
Interest on investments	3,334
Recovered losses	250
Miscellaneous revenue	1
Total Revenues	21,504
Expenses:	
Claims payments and reserves	14,329
Claims administration, loss control, external insurance, and other administrative expenses	7,332
Total Expenses	21,661
Net income (loss)	(157)
Retained earnings, July 1, 1998	13,268
Contributed capital, June 30, 1999	271
Unencumbered balance, June 30, 1999	$13,382

By State law effective July 1, 1987, local government entities such as the County, City of Rockville and several other entities in the self-insurance program are protected by the Local Government Tort Claims Act. Under this legislation, the liability of local governments for common law torts, such as negligence, is limited to $200,000 for an individual claim, and $500,000 for all claims arising from one occurrence. This act, combined with the law limiting the public school system's liability to $100,000, significantly decreases the exposure of the program to large losses.

The County is also self-insured for unemployment benefits and maintains a minimum premium funding arrangement for employee health insurance. The projected FY99 operations for these two elements of the insurance program are not reflected above.

EMPLOYEES' RETIREMENT SYSTEMS

The Employees' Retirement Systems (Systems) consist of two pension programs sponsored by the County: a single-employer defined benefit plan and a defined contribution plan (initiated in FY94). Other agencies or political subdivisions have the right to elect participation. Substantially all employees of the Montgomery County Government, the Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, the independent fire/rescue corporations, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., the Washington Suburban Transit Commission, certain employees of the State Department of Assessments and Taxation, and the District Court of Maryland are provided retirement benefits under the Systems. The Systems, established under Chapter 33 of the County Code, are contributory plans with employees contributing a percentage of their base annual salary depending on their group classification, which determines retirement eligibility. The payroll for employees covered by the Systems for the year ended June 30, 1998 was approximately $306.6 million. The total payroll for Montgomery County Government was $343.6 million.

All covered full-time employees of the County and participating agencies must become members of the Systems as a condition of employment. All covered career part-time employees of the County and participating agencies may become members on an individual basis. Non-public safety employees hired on or after October 1, 1994 enroll in the defined contribution plan. All other employees enroll in the defined benefit plan. At FY98 year-end, the defined benefit plan covered approximately 6,424 active participants and 3,803 retirees and inactive participants, with total liabilities amounting to approximately $1.66 billion. At FY98 year-end, the defined contribution plan had 1,043 participants with liabilities totaling $7.7 million.

The Board of Investment Trustees is responsible for investing the Systems' assets, which amounted to approximately $1.8 billion as of June 30, 1998. The defined benefit plan assets are invested in a diversified portfolio of equities, bonds, real estate and short-term instruments. The defined contribution plan assets are invested in a diversified group of mutual funds pursuant to participant direction.

For additional information concerning the County's retirement plan, see Appendix B, "Notes to Financial Statements" Note 17, Pension Plan Obligations.

PROPERTY TAX INFORMATION

The County levies real and personal property taxes on all taxable property within its boundaries. Taxes are due in full on July 1 and become delinquent on the following October 1. Partial payments of real property taxes (due September 30 and January 31) are permitted only for certain residents of owner-occupied residential real estate. Discounts are not allowed for early payment. Interest at the rate of 2/3 of 1 percent per month and a penalty of 1 percent per month are charged after September 30, except that tax bills issued after September 30 may be paid within 30 days without interest or penalty. Tax sales are held on the second Monday in June in the fiscal year taxes are due and payable to recover delinquent real property taxes. Legal action may be taken to enforce payment of both real and personal property taxes.

Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation. Assessment records and tax rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value (full cash value) and assessed in each year at a percentage of market value. Effective July 1, 1991, real property is assessed at 40 percent of its full cash value. One-third of the real property base is physically inspected and revalued once every three years. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline in assessed value becomes effective in the first year.

The assessable base in the County is skewed towards properties at the high-end of the real estate market, with more than half of the assessments coming from properties with an estimated average market value of more than $450,000. Based on recent data (July 1998) from 212,334 residential properties, the overall average County assessment per improved residential account of $99,994 equates to an estimated average market value of $249,985.

Because of growth in new construction and improved value of properties, the real property taxable base increased nine percent in the last five years, measured through 1999. Due to an expanding economy and growing number of taxable accounts, growth in the personal property base increased ten percent in the last five years, bringing the overall increase in the base to 9.3 percent during this period.

Table A-6
Assessed Value of All Taxable Property
By Class and Fiscal Year

	Real Property	Personal Property	Total Assessed Value	Ratio of Assessment to Actual
1999 est.	$27,832,000,000	$3,680,000,000	$31,512,000,000	42.36%
1998	27,274,641,135	3,654,450,970	30,929,092,105	42.40
1997	26,603,652,341	3,789,223,680	30,392,876,021	42.17
1996	26,057,528,520	3,517,475,970	29,575,004,490	42.13
1995	25,796,030,374	3,376,950,730	29,172,981,104	41.39

Source: Montgomery County Department of Finance, Comprehensive Annual Financial Reports and FY 2000 Recommended Budget.

Tax-exempt properties are excluded from the above figures. In FY98, such exemptions for real property owned by Federal, State, County, and other governmental units, churches, schools, fraternal organizations, cemeteries, disabled veterans, and the blind totaled $3,455,184,320. Tax-exempt real property constitutes approximately ten percent of the total gross real property base, with almost 78 percent of the tax-exempt property in the combined Federal, State, Local government sectors. The State Department of Assessments and Taxation grants exemptions from property taxes, pursuant to State law.

The ratio of total assessed value to total estimated actual value (full market value) is based on studies conducted by the State Department of Assessments and Taxation. The ratio in the above table typically exceeds 40 percent, due to the assessment of personal property at 100 percent of full cash value, in contrast to the 40 percent assessment rate for real property.

(The remainder of this page has been left blank intentionally.)

Table A-7
FY99 Assessable Base Data Improved Residential Property Accounts by Assessment Class

Assessment Class	Total Assessments	Number of Accounts	Percent of Total Assessments	Percent of Total Accounts
$0-5,000	$ 56,820	111	0.0%	0.1%
$5,001-15,000	323,050	36	0.0	0.0
$15,001-25,000	6,675,190	315	0.0	0.1
$25,001-50,000	1,318,169,260	31,084	6.2	14.6
$50,001-75,000	4,547,590,490	73,305	21.4	34.5
$75,001-100,000	3,790,407,650	43,819	17.9	20.6
Over $100,000	11,568,936,350	63,664	54.5	30.0
Total	$21,232,158,810	212,334	100.0%	100.0%

Source: State Department of Assessments and Taxation, Assessment Data Base Distribution Reports as of July 7, 1998.

Table A-8
Tax Levies and Collections

Fiscal Year Ended June 30	General County (including Education)	Current Year's Taxes Collected During Year	Percentage of Levy Collected During Year	Prior Year's Taxes Collected (Refunded) During Year	Total Collections	Ratio of Total Collections to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year's Tax Levy
1999*	$584,685,410	$532,752,199	91.12%	$(3,258,717)	$529,493,482	90.56%	$76,137,044	13.02%
1998	606,876,834	600,148,816	98.89	23,888,503	624,037,319	102.83	20,643,793	3.40
1997	604,170,465	590,358,703	97.71	(9,350,991)	581,007,712	96.17	51,026,107	8.45
1996	590,169,499	584,950,923	99.12	4,439,199	589,390,122	99.87	19,254,658	3.26
1995	564,588,398	556,044,458	98.49	1,686,480	557,730,938	98.79	22,769,396	4.03

* Through December 31, 1998. Historically, the amount of Accumulated Delinquent Taxes declines significantly during the subsequent six months of the fiscal year.

Source: Montgomery County Department of Finance, Division of Treasury.

Table A-9
Tax Rates and Tax Levies, By Purpose

Fiscal Year	General County (including Education)		Transit		State		Total	
Ended June 30	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
1999*	$1.923	$584,685,410	$.102	$60,116,317	$.21	$31,603,677	$2.235	$676,405,404
1998	1.962	606,876,834	.091	28,155,852	.21	59,093,497	2.263	694,126,183
1997	1.990	604,170,465	.078	23,704,918	.21	57,564,804	2.278	722,981,630
1996	1.998	590,169,499	.077	22,765,618	.21	56,326,281	2.285	669,261,398
1995	1.937	564,588,398	.108	31,506,822	.21	55,692,779	2.255	651,787,999

Notes: In addition to the tax rates shown above, other special area rates are applicable in certain geographic areas of the County. In FY99, such rates include: municipalities (ranging from $.08 to $1.58); M-NCPPC ($.218); fire districts ($.263); recreation ($.062); storm drainage ($.010); noise abatement ($.40); and the urban districts (ranging from $.04 to $.075). Commercial property without adequate parking facilities located within the four central business districts is subject to a parking lot district tax ranging from $.30 to $.70. Rates per $100 of assessed value

* Through December 31, 1998.

Table A-10
Ten Highest Commercial Property Taxpayers Assessable Base
Levy Year 1998 (FY 1999)

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	$ 996,240,780	$ 23,625,540	$ 972,615,240	3.16%
Bell Atlantic	656,382,670	24,114,980	632,267,690	2.08%
Washington Gas Light Co.	172,029,460	6,540,830	165,488,630	0.55%
International Business Machines	91,778,710	16,649,680	75,129,030	0.29%
May Department Stores	80,543,280	27,444,780	53,098,500	0.26%
Montgomery Mall	78,371,130	78,371,130	--	0.25%
Bryant F. Foulger, Trustee	56,683,540	56,683,540	--	0.18%
Albert & R. Abramson, et al	51,945,040	51,945,040	--	0.16%
Wheaton Plaza Regional Shopping Center	46,182,510	46,182,510	--	0.15%
Marbeth Partnership	45,274,990	45,274,990	--	0.14%
Total	$ 2,275,432,110	$376,833,020	$1,898,599,090	7.22%
Estimated Assessable Base for FY99	$31,512,000,000			

Source: Montgomery County Department of Finance, Division of Treasury.

Impact Tax

Significant development has occurred in outlying areas placing great demands on the County for provision of major highways, public schools and other public facilities. Pursuant to Sections 52-47 through 52-59 of Chapter 49A, “Development Impact Taxes for Major Highways” of the Montgomery County Code, two impact fee areas were established in Germantown and Eastern Montgomery County. These impact fee (now impact tax) areas are a means of transferring some portion of the costs of additional major highway improvements to the new development that is primarily responsible for creating this need. Presently unprogrammed major highways (not in the Capital Improvements Program or in the State Consolidated Transportation Program) are to be funded through a combination of County general obligation bonds and development impact taxes in these affected areas. The tax is imposed prior to the issuance of a building permit for development in an impact tax area. Impact taxes in the two areas yielded $1.47 million in FY94, $1.20 million in FY95, $0.8 million in FY96, $1.3 million in FY97 and $1.02 million in FY98.

Expedited Development Approval Excise Tax

In an effort to spur development in the County, the County Council on October 28, 1997, approved Bill 34-97, Development Impact Tax Expedited Development Approval Excise Tax. This bill provides that a developer may choose to pay an Expedited Development Approval Excise Tax (EDAET) in return for the right to proceed with development without having to go through the APFO process. Developments proceeding under EDAET would not be subject to Policy Area Review or Local Area Transportation Review, and no other transportation conditions could be imposed. EDAET currently applies to non-residential projects in all areas of the County that are eligible. There is no limit on the amount of development that can be approved. EDAET sunsets in four years, and includes a time limit on validity of approval. A subdivision plan must be recorded within two years of approval. Building permits for all development (buildings and dwelling units) must be pulled within 2 years after recordation. Non-refundable payment of 10 percent of the applicable fee is payable at subdivision approval, the remaining 90 percent is paid at building permit.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

The population of the County, according to the 1990 Census, was 757,027. The Maryland-National Capital Park and Planning Commission (M-NCPPC) revised population estimate shows 855,000 for the County on January 1, 2000. This includes approximately 5,000 from the Takoma Park section in Prince George's County, which transferred to Montgomery County on July 1, 1997. The 1990 Census is 177,974 or 31 percent higher than the 1980 Census, which placed the population of the County at 579,053. This was 56,244 or 10.8 percent above the 522,809 Census number for 1970. Sixty years ago the County's population was less than 50,000. The data also show a significant increase in the median age of the population.

Table A-11
Population of Montgomery County

	Number	Percent Change from Prior Census
1/1/2000 (M-NCPPC est.)	855,000	12.9%
1/1/1999 (M-NCPPC est.)	846,000	11.8
1/1/1994 (M-NCPPC est.)	798,000	5.4
1990 (U.S. Census)	757,027	30.7
1980 (U.S. Census)	579,053	10.8
1970 (U.S. Census)	522,809	53.3
1960 (U.S. Census)	340,928	107.4
1950 (U.S. Census)	164,401	--

Note: Data are for total population, with forecasts in 1990, 1994, 1999 and 2000 derived from the Demographic Forecast Model from M-NCPPC. The next U.S. Census is scheduled for the year 2000.

Table A-12
Median Age

Age	1970	1977	1980	1987	1990	1997
Median Age	27.9	30.3	32.1	34.5	34.1	36.0

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center.

Employment

The County's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs 58 percent of the workforce. Manufacturing firms employ four percent of the workforce. The following tables present the County's employment by sector.

Table A-13
At-Place Employment in Montgomery County

	County Business Patterns			Difference Est. 1998/1990	
	1980	1990	Estimate 1998	Number	Percent
PRIVATE EMPLOYMENT:[1]					
Agricultural Services	1,334	3,639	4,290	651	17.89%
Construction	27,131	35,263	27,670	(7,593)	-21.53%
Manufacturing	17,570	20,020	20,680	660	3.30%
Retail Trade	51,240	72,288	70,230	(2,058)	-2.85%
Wholesale Trade	8,626	15,743	17,700	1,957	12.43%
Finance, Insurance and Real Estate	21,622	36,521	33,100	(3,421)	-9.37%
Services	79,150	152,189	181,600	29,411	19.33%
Transportation, Communication & Public Utilities	8,458	14,407	14,590	183	1.27%
Mining and Nonclassifiable	1,575	1,429	240	(1,189)	-83.21%
SUBTOTAL:	216,706	351,499	370,100	18,601	5.29%
Self-Employed[2]	18,714	31,961	35,850	3,889	12.17%
TOTAL PRIVATE SECTOR:	235,420	383,460	405,950	22,490	5.87%
GOVERNMENT EMPLOYMENT[2]					
Federal[3]	45,258	49,083	51,100	2,017	4.11%
State and Local[2]	30,084	33,427	34,850	1,423	4.26%
TOTAL GOVERNMENT	75,342	82,510	85,950	3,440	4.17%
GRAND TOTAL	310,762	465,970	491,900	25,930	5.56%

Notes:
(1) U.S. Department of Commerce, Bureau of the Census, "County Business Patterns," 1980, 1990.
(2) M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center.
(3) Federal employment includes military.
(*) Estimated 1998 computed by Montgomery County Department of Finance, using total estimate from M-NCPPC and payroll data from Maryland Department of Labor, Licensing and Regulation

At-Place Employment Shares by Industry in Montgomery County

Employment Category	1990	Estimate 1998
PRIVATE EMPLOYMENT:(1)		
Agricultural Services	0.8%	0.9%
Construction	7.6%	5.6%
Manufacturing	4.3%	4.2%
Retail Trade	15.5%	14.3%
Wholesale Trade	3.4%	3.6%
Finance, Insurance and Real Estate	7.8%	6.7%
Services	32.6%	36.9%
Transportation, Communication & Public Utilities	3.1%	3.0%
Mining and Nonclassifiable	0.3%	0.0%
SUBTOTAL:	75.4%	75.2%
Self-Employed(2)	6.9%	7.3%
TOTAL PRIVATE SECTOR:	82.3%	82.5%
GOVERNMENT EMPLOYMENT(2)		
Federal(3)	10.5%	10.4%
State and Local(2)	7.2%	7.1%
TOTAL GOVERNMENT	17.7%	17.5%
GRAND TOTAL	100.0%	100.0%

During 1998, the County's unemployment rate averaged 2.3%. Historically, County unemployment levels have decreased slightly. The following table presents the County's labor force, employment and unemployment for the years 1994 through 1998.

Table A-14
Montgomery County's Resident Labor Force
Employment & Unemployment 1994-1998

	Labor Force	Employment	Unemployment	Unemployment Rate
1998	469,417	458,523	10,894	2.3%
1997	468,428	456,268	12,160	2.6%
1996	473,180	460,627	12,553	2.7%
1995	463,112	449,487	13,625	2.9%
1994	462,202	448,800	13,402	2.9%

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Prepared by Montgomery County Department of Finance.

Federal Employers

The County is home to 23 Federal agencies employing more than 58,000 civilians. These agencies comprise a virtual "Who's Who" list of prestigious Federal research facilities. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's great centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment.

Department of Health and Human Services	32,908
Department of Defense	12,448
Department of Commerce	6,705
Department of Energy	3,120
Nuclear Regulatory Commission	2,144
Department of Treasury	508
Consumer Product Safety Commission	432
Department of Justice	190
Other Federal Employees in leased space	267

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center (1997 data).

(The remainder of this page has been left blank intentionally.)

Private Employers

There are several thousand major private employers in Montgomery County. Below is a listing of the County's largest employers. The employee numbers listed are best estimates taken from various sources, including first-hand research by the County's Department of Economic Development, and published listings from the Montgomery Business Gazette magazines. These numbers are subject to periodic changes.

Name of Firm	Est. No. of Employees
Giant Food Corporation	5,000
Chevy Chase Bank	4,500
Lockheed Martin Corporation	3,500
Marriott International, Inc. (headquarters)	3,500
Bell Atlantic	3,000
Hughes Network Systems	2,600
May Department Store Company	2,500
Sears Roebuck and Company	2,000
Shady Grove Adventist Hospital	2,000
Washington Adventist Hospital	1,800
Bureau of National Affairs	1,600
Communications Satellite Corporation	1,600
CTA, Inc.	1,500
Government Employees Insurance Company	1,500
Holy Cross Hospital	1,500
Marriott (Host and Sodexho)	1,500
Montgomery General Hospital	1,500
Safeway Stores, Inc.	1,500
Suburban Hospital	1,500
AT&T/Lucent Technologies	1,400
National Association of Securities Dealers	1,300
CSC Professional Services	1,200
Orbital Sciences Corporation	1,100
ACS Government Solutions, Inc. (CDSI)	1,000
Discovery Communications, Inc.	1,000
Miller and Long Company	1,000
Phillips Publishing International	1,000
Marconi North America, Inc. (Tracor, Inc.)	1,000

Source: Montgomery County Department of Economic Development.

INCOME

Personal Income

Revised personal income of County residents reached close to $33 billion in 1996, and is projected to total $37.9 billion in 1999. Income in calendar years 1997 and 1998 are estimated to have experienced stronger growth resulting from the excellent performance of the national and regional economies. Stronger economic growth resulted in additional new businesses and higher proprietor's income, while the tight labor market continues to boost wage earnings. The strong equity market and corporate profit growth increased income from stock options, corporate bonuses, and dividend earnings. Growth in 1999 is projected to come in at 4.3 percent.

The County, which accounts for just over 16 percent of the State's population, accounts for almost 24 percent of the State's total personal income. As data in the following table show, personal income in the County, as a share of the State, has remained relatively constant.

Table A-15
Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
1999 (est.)	$37,850	$158,901	$7,446,700	23.8%
1998 (est.)	36,300	152,336	7,121,000	23.8%
1997 (est.)	34,800	146,060	6,770,709	23.8%
1996	32,915	138,173	6,408,990	23.8%
1995	31,464	131,290	6,060,138	24.0%
1994	29,583	126,277	5,741,050	23.4%
1993	28,158	120,003	5,469,485	23.5%
1992	26,751	115,446	5,239,364	23.2%

Notes: (1) All actual data were revised in May 1998 for all states and counties.
(2) Estimates for Montgomery County (1997-1999) by Montgomery County Department of Finance.
(3) Estimates for Maryland and United States (1998-1999) by State of Maryland, Bureau of Revenue Estimates (January 12, 1999).

Source: U.S. Department of Commerce, Bureau of Economic Analysis ("Survey of Current Business").

(The remainder of this page has been left blank intentionally.)

Average Household and Per Capita Personal Income

The County is projected to increase in ranking from eighth in 1997 to seventh in 1998, measured among similar major suburban counties, in estimated average household income. The County's estimated 1998 household income of $115,680 ranks first in the State and exceeds the Washington MSA estimated average ($93,620) by 24 percent, the Maryland metropolitan average ($82,370) by 40 percent, and the U.S. average ($73,160) by over 58 percent.

Table A-16
Comparison of Estimated Per Capita and Average Household Income, 1998
Montgomery County and 14 Other Major Affluent Counties

County	Per Capita Income	County	Average Household Income
Fairfield, Conn.	$51,400	Fairfield, Conn.	$139,250
Marin, Calif.	48,540	Morris, N.J.	133,780
Westchester, N.Y.	47,050	Westchester, N.Y.	132,830
Morris, N.J.	44,750	Marin, Calif.	132,760
Bergen, N.J.	44,520	Arlington, Va.	129,550
Arlington, Va.	43,980	Lake, Ill.	116,280
MONTGOMERY, MD.	43,350	MONTGOMERY, MD.	115,680
Montgomery, Pa.	42,440	San Mateo, Calif.	114,550
Lake, Ill.	41,610	Montgomery, Pa.	113,440
Fairfax, Va.	41,340	Fairfax, Va.	113,160
Nassau, N.Y.	41,180	Bergen, N.J.	112,610
San Mateo, Calif.	41,120	Palm Beach, Fla.	111,680
Oakland, Mich.	40,850	Nassau, N.Y.	107,480
Palm Beach, Fla.	40,800	Oakland, Mich.	106,350
DuPage, Ill.	39,580	DuPage, Ill.	105,660

(1) A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area or a Primary Metropolitan Statistical Area with a population of at least 115,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.

(2) Estimates of 1998 per capita income were based on trending forward experience during 1993-96.

(3) Estimated average 1998 household income was derived by multiplying the estimated 1998 per capita income by the average number of persons per household.

Source: U.S. Department of Commerce, Bureau of Economic Analysis ("Survey of Current Business" May 1998) for Personal Income data; Sales and Marketing Management "1998 Survey of Buying Power" for household data.

NEW CONSTRUCTION

Following a low point in FY94, new construction in FY95 improved for the first time in seven years with a modest five percent increase. The trend continued in FY96 with a 20 percent increase, and close to 7 percent growth in FY97. Even though overall construction moderated in FY98, projections for FY99 show a resumption of the strong growth trend.

In FY95 residential construction increased 38 percent, followed by another 23 percent during FY96, and 7 percent in FY97. Following this robust trend, residential construction declined in FY98, before improving 4 percent in FY99. A similar trend is found in apartment construction, which declined to just under $3 million or less than one percent of total construction, down from a 13 percent share just a decade ago. Projections for FY99 indicate a significant improvement in multifamily housing in the County.

Table A-17
New Construction Added to Real Property Tax Base
Montgomery County
($ millions)

Fiscal Year	Number*	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
1998	14,162	$ 245.0	$ 1.2	$14.7	$ 56.6	$ 6.7	$ 324.2
1997	13,837	258.9	2.4	19.2	34.6	5.4	320.5
1996	12,677	242.0	2.9	15.9	31.2	8.4	300.4
1995	13,500	196.8	0.5	14.6	39.8	(0.9)	250.8
1994	11,769	142.9	8.9	13.7	70.0	2.8	238.3
5-Year Summary		$1,085.6	$15.9	$78.1	$232.2	$22.4	$1,434.2
Categories as Percent of Total		75.7%	1.1%	5.4%	16.2%	1.6%	100.0%
Percent Change FY98/FY97		-5.4%	-48.0%	-23.6%	63.5%	23.9%	1.2%
Estimated FY99		$254.9	$3.3	$23.0	$73.1	$4.3	$358.7
Percent Change from Prior Year		4.0%	170.3%	57.0%	29.2%	-36.1%	10.6%

* Indicates total number of all types of building permits.

Source: Montgomery County Department of Environmental Protection (*), and Maryland State Department of Assessments and Taxation.

Full year new construction is assessed and notices are sent on June 1; a three-quarter year levy is assessed and notices sent on September 1; a one-half year levy is compiled on December 1 and a one-quarter year levy is compiled on March 1. Partial year bills are due thirty days after the mailing of the bill.

Development Districts

In 1994, the County Council enacted the Development District Law, which allows the County to create development districts and 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 acquisition of infrastructure improvements.

As a result of a petition by property owners and the subsequent review and analysis of the feasibility of the proposed development district, the County Council, in January 1998, created the County's first development district, West Germantown. Encompassing approximately 671 acres in an unincorporated area of Montgomery County, the District consists of two residential developments, which would provide for the construction of 1,283 single-family and 102 multi-family units. As second district, Kingsview Village Center, was created on July 28, 1998. This district consists of a 112,000 square foot retail shopping center, and up to 160 single-family attached or multi-family housing units. The County and developers are currently engaged in preparations associated with the issuance of special obligation bonds for the districts. The proceeds of such bonds debt that would be used to fund certain road, park, and sewer infrastructure improvements supporting development within the districts.

ECONOMIC DEVELOPMENT INITIATIVES

In an effort to stimulate employment growth and create additional new investment, the County initiates programs and promotes the strengths of each of its local employment centers.

I-270 Technology Corridors

The I-270 Technology Corridor is a nationally known high technology center. It is home to over 500 high technology companies. Lockheed Martin, Life Technologies, COMSAT Corporation, Marriott International, Inc., Orbital Sciences Corporation, Hughes Network Systems, Pulse Electronics, and Hewlett-Packard are some of the well-known companies located on I-270. The corridor has more than 30 million square feet of commercial and industrial space approved and ready for new development. The U.S. Route 29 Corridor in Eastern Montgomery County is another high tech center, housing nearly 100 major employers, including Bell Atlantic, Gannett Communication, Silicon Graphics, and Kaiser Permanente.

Central Business Districts

The County is devoted to stimulating new investment in its Central Business Districts (CBD). The County's four CBDs in Silver Spring, Wheaton, Bethesda, and Friendship Heights are served by the region's longest extensions of the metro rail system, and are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations.

Silver Spring

Downtown Silver Spring has become a new and vibrant focal point of Montgomery County. 1998 has been a year of grand opening announcements and relocations. The office vacancy rate has dropped significantly in the past year. Ninety-five percent of the 3.5 million square feet of Class A office space in Silver Spring is now leased, as is 80 percent of the 2 million square feet of Class B office space.

The County's investment of $132 million into the downtown redevelopment project was launched with the signing of a deal with PFA, Inc.. The project will be comprised of one-half million square feet of retail, restaurant and entertainment space, 240,000 square feet of office space, a hotel, and a community facility. The first phase will begin in Spring 1999 with the construction of local serving retail, anchored by a 35,000 square foot Fresh Fields grocery store. The second phase, a restaurant/entertainment center, a 25,000-volume bookstore, and a 16-20 screen theater complex with 5,400 seats, will begin in Summer 1999. Hotel construction will begin late in the year.

Corporate announcements and relocation plans have spawned other initiatives in the CBD. Discovery Communications' announcement of its intention to locate its world headquarters to a 650,000 square foot, $150 million complex, adjacent to the Metro station, was spurred by the re-location of the American Film Institute (AFI) to Silver Spring. AFI, based at the Kennedy Center in Washington, D.C., announced its intention to move into the historic Silver Theater, capping off a $7.8 million County renovation investment.

In addition, Montgomery College announced its expansion plans, which include the purchase of land for more building space and a collaborative partnership with AFI to offer classes in film directing and related subjects. Easter Seals plans to build a 35,000 square foot adult and child day care facility with its regional headquarters. New housing has come to Silver Spring. Ground has been broken on an executive townhouse development of 57 units near the Metro station. The Metro station itself is in the final phase of expansion plans, providing a one-stop multi-level station for Metro, Metrobus, Ride-On, MARC rail, intercity bus and the Georgetown Branch transitway, at an estimated total cost of $40 million.

The State of Maryland's designation of Silver Spring as an Enterprise Zone has provided special financial incentives for new investment and job creation in the CBD. As of December 1998, the Silver Spring Enterprise Zone has received 98 applications, representing 90 firms, 653 new jobs, and $18 million of new capital investment.

Wheaton

The Wheaton CBD was designated an Enterprise Zone by the State of Maryland in 1998, and more than $16 million of County, State and Federal funds have been committed for the Wheaton Commercial Revitalization Area. The final leg of the Metro rail was completed and opened at the Glenmont station in Wheaton in July, 1998.

Bethesda

The major reinvestment program that changed the skyline of the Bethesda CBD continues. A comprehensive planning program for the CBD was completed in l984 with a focus on the Bethesda Metro Center station, and much of the development associated with that program has been constructed. The final major project approved in that plan is a 270,000 square foot office project with retail and plaza amenities that will be completed in June 1999. Additional projects that are underway include a 200,000 square foot office building that has been pre-leased to U. S. Generating, and a 650,000 square foot office complex being built by Chevy Chase Bank for its headquarters. Also in the design and approval stages are two high rise residential buildings, one containing 187 dwelling units along with a public garage containing 640 spaces, and the other planned for 149 units. Both garages are planned to be under construction by the end of 1999.

Downtown Bethesda has become a major urban business and entertainment center in the Washington region, due to the presence of almost 200 restaurants along with the density of both high-rise office and residential buildings. Federal Realty Investment Trust has completely renovated and reconstructed the streetscape of an area that covers over two blocks, greatly increasing the mix of retail offerings in Bethesda. This area is adjacent to the Capital Crescent Trail, an abandoned railway right-of-way that was purchased by the County and turned into a popular recreational hiker-biker trail running from Silver Spring to the Georgetown area of Washington, D.C.

Friendship Heights

The Friendship Heights CBD is located at the Montgomery County-Washington, D.C. border, with the Metrorail station at Wisconsin and Western Avenues at its center. Comprising or adjacent to the Friendship Heights CBD are multiple smaller jurisdictions and developments, including the Village of Friendship Heights special taxing district, the Town of Somerset, the Brookdale neighborhood, and the Somerset House complex.

In January 1998, the County Council approved the Friendship Heights Sector Plan, which focused on several significant land parcels and concentrated new growth in the Metro-served area while preserving the surrounding neighborhoods. The Plan provides opportunities for additional development on the Hecht's, Chevy Chase Land Company, and GEICO sites, totaling over 1.4 million net additional square feet of office and retail space. Additional housing opportunities for an estimated 635 dwelling units are provided on the Hecht's and GEICO sites. The Plan also affirmed the approved site plan for the Barlow Property, which provides for over 226,000 square feet of office and 23,645 square feet of retail space.

Existing Office/R&D Space

The 1998 year-end data for Montgomery County office and flex space (the total of Classes A, B, and C) indicates over 61 million square feet of available space and a weighted vacancy rate of 6.36 percent, down almost 2.5 percentage points from a year ago.

Most of this office space is located in three geographic areas: Bethesda (including North Bethesda), Rockville (including North Rockville), and Silver Spring. The Rockville market encompasses a wide geographic area including part of the I-270 Corridor (Research Boulevard and Piccard Drive). The total office market for the Rockville area is over 11.9 million square feet. This total includes more than one million square feet in the Parklawn building, the largest office building in the County, which is leased to the U.S. Department of Health and Human Services.

Table A-18
Office/Flex Space Availability by Submarket
Year End 1998

	Total Inventory (Square Feet)	Total Vacant (Square Feet)	Vacancy Rate w/Sublet	Vacancy Rate w/o Sublet
Montgomery County Office Market				
Bethesda CBD/Chevy Chase	9,256,294	344,139	3.72%	3.30%
North Bethesda	10,093,887	281,848	2.79	1.88
Gaithersburg	8,378,983	1,131,575	13.50	12.07
Germantown	2,350,875	229,512	9.76	8.28
Rockville	10,169,216	445,025	6.62	5.10
North Rockville	8,774,851	581,247	6.62	5.10
Silver Spring (CBD)	6,106,369	1,090,976	17.87	16.85
N. Silver Spring/US 29	4,207,530	270,564	6.43	4.77
Kensington/Wheaton	1,673,462	126,841	7.58	7.41
Total County	61,011,467	4,501,727	7.38%	6.36%

Note: These figures are provided by CoStar Realty Information Group, the County's current source for commercial real estate information. Smithy-Braedon, the source used to compile the 1997 information, is no longer in business.

The amounts shown here represent both office and flex space at 1998 year end, and include all buildings, not just those of 25,000 square feet or greater. These factors, along with newly delivered buildings in 1998, explain the dramatic increase in total inventory from 1997 to 1998.

OFFICE/INDUSTRIAL PROJECTS

Irvington Centre (King Farm)

Construction has begun on One Irvington Centre, the first office building on the planned 430-acre urban village in Rockville. This building, slated for a Fall 1999 delivery, will include six stories and over 150,000 square feet of Class A office space. The Irvington Centre business campus comprises 90 acres of the King Farm project and will ultimately include over 3,000,000 square feet of office space.

Seneca Meadows Corporate Center

This site is being developed as a light industrial park in Germantown. It will offer prospective tenants and built-to-suit owners a campus-type community of low rise, multi-function buildings to accommodate a variety of permitted uses. The site, which contains approximately 156 acres, has adequate public facility entitlements for the development of approximately 1,660,000 square feet of office space.

Corporate Square at Rock Spring Park

This project is located in North Bethesda. When completed, Corporate Square at Rock Spring Park will consist of twin office towers containing 440,000 square feet of space. Each building will have six floors of office space with a typical floor plan measuring 37,000 square feet.

Silver Triangle Office Center

Located in the heart of the downtown Silver Spring revitalization area, this project will include over 3.5 million square feet of office space, including the new corporate headquarters for Discovery Communications, Inc. The area will also include over 10,000 public parking spaces and convenient access to the retail, restaurant, and performing arts projects planned for the area.

Rockville Metro Plaza / Rockville Center

This 3.6-acre project in downtown Rockville will feature three office buildings with a total of 620,000 square feet. The project will also include 120,000 square feet of retail space and 3,000 structured parking stalls. The first phase of this project – the Regal Cinemas movie theater – opened in late 1998, and a number of restaurants have signed leases to locate in the retail pavilion adjacent to the theaters.

Tower Oaks Corporate Park

Located on I-270 at Montrose Road, this 200-acre site represents the last large development project in lower Montgomery County. The development will include over two million square feet of offices, with additional plans for retail, restaurants, and lodging on the site. Road improvements at the site have already begun and speculative office building construction will begin in mid-1999.

Gateway 270 Business Center

Located upcounty at I-270 and Route 121 in Clarksburg, this 100-acre industrial park is zoned for office and light manufacturing uses. All main roads, utilities, and other infrastructure are in place, and one million square feet of development capacity has been approved. Construction on the first 250,000 square feet of speculative office space is scheduled to begin in mid-1999.

Washingtonian Center

This 210-acre master-planned business center and residential complex was approved in 1985. The Gaithersburg complex is home to the corporate headquarters of Sodexho/Marriott and features many retail, residential, and entertainment centers. Over one million square feet of additional Class A office space has been proposed to be constructed on this site in the next five years.

Westfarm

Located at U.S. Route 29 and Randolph Road in Eastern Montgomery County, this 247-acre site is capable of accommodating three million square feet of development. The mixed-use development plans at Westfarm include retail, office, light industrial and R&D. When complete, the capital investment in the project will total more than $200 million, and an estimated 12,000 jobs will be based there. Current tenants include Gannett, Digene Diagnostics, and Kaiser Permanente. In addition, a number of retail establishments were delivered in 1998.

NEW BUSINESS ADDITIONS AND EXPANSIONS

Discovery Communications, Inc.

The Bethesda-based diversified media company, whose assets include the popular Discovery Channel, has committed to building a consolidated corporate headquarters in downtown Silver Spring. The 650,000 square foot project is the cornerstone for the revitalization efforts in this important county CBD. The new facility will employ nearly 1,100 and is scheduled for delivery in 2001.

Hughes Network Systems

The County's largest telecommunications company has recently leased an additional 70,000 square feet in the Metro Park North site in Rockville, where over 2,000 employees are based.

HT Medical Systems, Inc

A leading developer of virtual reality medical technology currently located in Rockville, HT Medical Systems, Inc. has signed a lease, effective June 1, 1999, for a new 19,000 square foot headquarters in the Bennington Corporate Center in Gaithersburg. Their expansion plans include 56 new employees and over $1 million in capital investment over the next three years.

Astrolink

Astrolink relocated from Sunnyvale, CA in late 1998, bringing along 21 employees and occupying 40,000 square feet of office space in the Democracy Plaza office park in Bethesda. Astrolink operates a joint venture satellite communications network sponsored by Bethesda neighbor Lockheed Martin.

EntreMed, Inc.

A start-up biotech firm that has received significant press coverage for a new cancer-fighting drug, EntreMed, Inc. has leased a 30,000 square foot facility in the Shady Grove Life Sciences Center.

GE Information Services, Inc

In early 1999, this pioneer of information management announced its relocation to the former Manor Care site in Gaithersburg. Formerly located in Rockville, GEIS will occupy 341,000 square feet in its new facility, retaining over 1,000 jobs in Montgomery County.

Sodexho/Marriott

In February 1999 Sodexho/Marriott held its grand opening at its new corporate headquarters at the Washingtonian Center in Gaithersburg. This leading food management and service contractor occupies over 80,000 square feet and will employ over 350 people in the County in the next three years.

NASD

As a major stock index for high-tech companies, NASD is ideally located in the I-270 Technology Corridor, and has committed to consolidate its operations into one 450,000 square foot facility in Rockville.

The Institute for Genomic Research (TIGR)

A current tenant at the Shady Grove Life Sciences Center, TIGR has just exercised an option to expand its facility at the Center by 30,000 square feet. This large biotech firm employs over 181 people in Montgomery County.

Celera Genomics Corporation

A spin-off of The Institute of Genomic Research, Celera signed a lease in late 1998 for a 200,000 square foot facility in Rockville. Celera has invested over $100 million in capital investment in the County and employs over 400 people.

FEDERAL SPENDING

Federal spending has been an important contributor to the Washington area's economy over the years. According to a George Mason University study, total federal spending accounts for over a third of the metropolitan Washington Gross Regional Product. In FY96 the federal budget impasse and temporarily reduced procurement spending in the area confirmed the importance of such spending, when many local companies reduced hiring of new employees or considered reducing the workforce. Fortunately, the spending was only reduced for a few months and picked up after the budget settlement occurred. Nevertheless, local economies experienced a substantial negative impact. In fact, in contrast to most other jurisdictions in the region, the suburban Maryland counties never fully recovered that year from the initial spending reduction. Total federal spending nationwide in 1997 amounted to $1.431 trillion, of which the Washington MSA received $62.3 billion, or 4.4 percent. This share has not materially changed in at least a dozen years. Even though the overall share of regional compared to national spending remains constant over time at just over 4 percent, in some categories the region's share is far more significant. For example, spending on salaries and wages is, at close to 13 percent, the second largest category, behind procurement spending of more than 11 percent in 1997. This marks the second year that procurement spending in the Washington MSA exceeded personnel spending. These two categories, however, also highlight the region's dependence on the federal government as an employer and economic stimulus. Federal procurement spending reflects government contracts with private sector industries. As data for the past five years indicate, such private sector economic stimuli have been considerably more significant in the County, and the region as a whole, than for the nation.

Table A-19
Federal Procurement Trends
Fiscal Years 1993-1997
(in $ billions)*

Fiscal Year	Montgomery County	Washington MSA	U.S.
1997	$3.2	$22.0	$193.0
1996	3.1	21.1	200.5
1995	3.3	19.4	202.2
1994	2.8	17.9	198.0
1993	2.7	16.1	201.4
Percent Change 1993-97	17.4%	36.3%	-4.2%

* Amounts shown in current dollars (not adjusted for inflation).

Source: U.S. Bureau of the Census, Consolidated Federal Funds Report, FY 1993-1997.

RETAIL SALES

The State of Maryland continues to improve in retail sales, measured by sales tax data collected for calendar year 1998. Improved retail sales reflect the stronger regional economy, a consumer confidence level near a 30-year high, a robust real estate market, strong residential construction, low unemployment, and rising incomes -- fueled by wage gains, corporate bonuses, and strong equity market gains. The net result is that Statewide retail sales grew almost 4 percent in 1998, following a 5.3 percent jump in the prior year. 1998 was the second year for the new revised sales tax data distribution by jurisdiction in Maryland. These data show that retail sales in Montgomery County closely matched the Statewide numbers, as sales tax receipts grew 3.6 percent in 1998.

Even though Statewide retail sales, again measured by tax receipts, were strong last year, there was considerable variation among the various components. For example, reflecting the improved residential housing construction, the strongest growth was in building and industrial supplies, for the second consecutive year. Furthermore, even though automotive sales were considerably weaker in 1997, compared to prior years, sales picked up in 1998. While retail sales trends in the County are generally similar to those found in Maryland, there are some differences, as the last two columns show. Notably, automotive sales declined in the County in 1998, in contrast to the improved trend statewide, while building and industrial supplies sales jumped close to 50 percent in 1998 – well above the statewide trend. This reflects the extremely robust residential construction in the County in calendar year 1998. Similar to Maryland, the shares of the various business activities are more strongly represented in food and beverages, general merchandise, building and industrial supplies, and furniture. These four categories make up roughly two-thirds of retail sales in both Maryland and the County. As the data for Maryland show, the relative shares remained virtually unchanged in these three years.

Table A-20
Sales & Use Tax Receipts
By Principal Business Activity

	Maryland						Montgomery County	
	1996		1997		1998		1998	
	Annual Growth	Share of Total	Annual Growth	Share of Total	Annual Growth	Share of Total	Annual Growth	Share of Total
Food and Beverages	3.3%	20.9%	3.2%	20.5%	2.9%	20.3%	3.2%	22.2%
Apparel	0.1%	4.9%	2.5%	4.8%	7.2%	4.9%	12.4%	7.2%
General Merchandise	5.2%	18.8%	5.9%	18.9%	0.9%	18.4%	3.5%	18.8%
Automotive	4.6%	7.0%	-4.5%	6.3%	5.0%	6.4%	-2.9%	6.3%
Furniture & Appliances	-0.6%	13.0%	8.4%	13.4%	0.6%	13.0%	-3.0%	15.8%
Building & Industrial Supplies	-0.9%	11.2%	10.7%	11.8%	15.8%	13.2%	48.5%	9.2%
Utilities & Transportation	0.8%	6.7%	7.7%	6.8%	2.0%	6.7%	-6.4%	5.4%
Hardware, Machinery & Equipment	33.0%	4.0%	-9.6%	3.4%	-10.7%	2.9%	-23.8%	1.8%
Miscellaneous	4.3%	12.8%	8.2%	13.1%	7.7%	13.6%	2.4%	12.6%
Other	-34.4%	0.8%	26.5%	0.9%	-22.6%	0.7%	-36.2%	0.6%
Total Retail Sales Tax	3.0%	100.0%	5.3%	100.0%	3.9%	100.0%	3.6%	100.0%

Source: Maryland Comptroller of the Treasury, Revenue Administration Division.

Effective 1997, the State modified its methodology for allocating tax receipts to the various jurisdictions, which made comparisons of retail sales tax data at the local level between 1997 and prior years impossible. As a result of this change, for example, Montgomery County's collections declined 2.1 percent in 1997 from 1996. This was inconsistent with both prior year trends (note the State annual growth of 5.3 percent in 1997), and the strong economic activity in the County. In addition, the U.S. Department of Commerce, Bureau of the Census, ceased to collect retail trade data on a regional basis, also effective 1997. The lack of available data from official sources has also negatively impacted the quality of the data used in the Sales and Marketing Management ("Survey of Buying Power") publication, which the County had used extensively in the past, in order to reflect retail trade activity in the larger Washington region, and allowing for jurisdictional comparisons. Data in this publication suggest that retail trade activity in Montgomery County declined in both 1995 and 1996 with a combined decline in excess of 8 percent from 1994. This reported decline in retail trade is in sharp contrast to the more than 6 percent growth in retail sales tax receipts during that two-year period (note that there was no change in the sales tax allocation formula in those years).

MAJOR RETAIL CENTERS

Montgomery County is served by four regional shopping centers. They are Lakeforest Mall in Gaithersburg, Montgomery Mall in Bethesda, Wheaton Plaza in Silver Spring, and White Flint Mall in North Bethesda.

Lakeforest Mall, located along Maryland Route 355 and Montgomery Village Avenue near I-270, opened during 1978. This 1.1 million square foot mall features 162 stores including four major department stores: Hecht Company, JC Penney, Lord & Taylor, and Sears Robuck & Co.

Montgomery Mall, located in Bethesda, underwent an expansion and a $2 million renovation in 1987. This 22-year old mall now covers 1.6 million square feet of space and features Nordstrom's, Hecht Company, JC Penney, and Sears Robuck & Co. department stores, 119 other stores, and three parking garages, and is served by a Montgomery County Transit Center.

A third large retail center is Wheaton Plaza and the surrounding area. Wheaton Plaza, located adjacent to the Wheaton Metro Center at the intersection of Georgia Avenue and Veirs Mill Road in the Wheaton CBD, was the County's first shopping mall (opened in 1960) and was enclosed and remodeled in 1987. Department stores include Hecht Company, JC Penney, and Montgomery Ward.

White Flint Mall, which is located east of Rockville Pike in North Bethesda close to the White Flint Metro Station, opened in 1977 and features three enclosed levels and luxury department stores such as Lord & Taylor and Bloomingdale's. The 900,672 square foot mall also features a five-auditorium cinema and a Border's Bookstore.

(The remainder of this page has been left blank intentionally.)

APPENDIX B

GENERAL PURPOSE FINANCIAL STATEMENTS

To receive a copy of Montgomery County's General Purpose Financial Statements, please contact the County's Department of Finance at 240-777-8801 (fax: 240-777-8825).

<u>APPENDIX C</u>

DRAFT APPROVING OPINION OF BOND COUNSEL

APPENDIX C

DRAFT APPROVING OPINION OF BOND COUNSEL

(Letterhead of Venable, Baetjer and Howard, LLP)

(Closing Date)

County Executive and County Council for
Montgomery County, Maryland
Rockville, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to Montgomery County, Maryland (the "County") in connection with the issuance of its $120,000,000 Montgomery County, Maryland Consolidated Public Improvement Bonds of 1999, Series A (the "Bonds"). In such capacity, we have examined such laws and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued under the provisions of the Montgomery County Charter (the "Charter") and Chapter 9 of the Laws of Montgomery County 1955, as amended, Chapters 14 and 34 of the Laws of Montgomery County 1991, Chapters 10 and 32 of the Laws of Montgomery County 1995, Chapters 8 and 32 of the Laws of Montgomery County 1997, and Chapter 19 of the Laws of Montgomery County 1998 (the "Acts"). The Bonds are consolidated pursuant to a Resolution of the County Council for Montgomery County, Maryland, adopted on August 4, 1998 (the "Resolution"), in accordance with the provisions of Section 2C of Article 31 of the Annotated Code of Maryland (1997 Replacement Volume and 1998 Supplement), and are authorized to be issued and awarded by Orders of the County Executive of the County passed on April 13, 1999 (the "Orders"). The terms of the Bonds are as set forth in the Bonds, the Acts, the Resolution and the Orders.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the County and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Based on the foregoing, it is our opinion that, under existing law:

(a) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, the Charter, the Acts, the Resolution and the Orders.

(b) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, and for the payment of which the County is empowered and directed to levy ad valorem taxes, without limitation of rate or amount, upon all real, tangible personal and certain intangible property subject to taxation by the County.

(c) To provide for the payment of the principal of and interest on the Bonds, the County, by adoption of the Acts and passage of the Orders, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph (d), we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the County (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

(e) Under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Bonds or the interest thereon.

Other than as set forth in the preceding paragraphs (d) and (e), we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Venable, Baetjer and Howard, LLP"]

APPENDIX D

PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of [closing date] (the "Disclosure Agreement") is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the "County") in connection with the issuance of its $120,000,000 Montgomery County, Maryland Consolidated Public Improvement Bonds of 1999, Series A (the "Bonds"). The County, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

SECTION 1: *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners of the Bonds, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2: *Definitions.* In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, Virginia 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORIES
Attn: Municipal Dept.
P.O. Box 840
Princeton, NJ 08542-0840
(609) 279-3255 (phone)
(609) 279-5962 (fax)
E-mail: MUNIS@Bloomberg.com

DPC DATA, INC.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-mail: nrmsir@dpcdata.com

THOMSON MUNICIPAL SERVICES, INC.
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, New York 10014
(212) 807-5001 (phone)
OR (800) 689-8466 (phone)
(212) 989-2078 (fax)
E-mail: Disclosure@Muller.com

KENNY INFORMATION SYSTEMS, INC.
Attn: Kenny Repository Service
65 Broadway, 16th Floor
New York, New York 10006
(212) 770-4595 (phone)
(212) 797-7994 (fax)

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Reportable Event" shall mean any of the events listed in Section 4a. of this Disclosure Agreement.
"Repository" shall mean each National Repository and the State Depository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission including, by way of example, the staff guidance dated June 23, 1995 to the National Association of Bond Lawyers (“NABL”) from Robert L. D. Colby, Deputy Director, and the staff guidance dated September 19, 1995, to NABL from Catherine McGuire, Chief Counsel.

“State Depository” shall mean any public or private repository or entity designated by the State of Maryland as a state information depository for purposes of the Rule. As of the date of this Disclosure Agreement, there is no State Depository.

SECTION 3. *Provision of Annual Financial Information, Operating Data and Audited Information.*

a. The County shall provide to each Repository, the following annual financial information and operating data, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ending June 30, 1998:

(i) Statement of Direct and Overlapping Debt; (ii) General Bonded Debt Ratios; (iii) Assessed Value of All Taxable Property By Class; (iv) Property Tax Levies and Collections; (v) Property Tax Rates and Tax Levies, By Purpose, and (vi) Schedule of General Fund Revenues, Expenditures and Transfers In (Out).

b. The County shall provide to each Repository annual audited financial statements for the County, such information to be made available within 275 days after the end of the County’s fiscal year, commencing with the fiscal year ending June 30, 1999, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County’s fiscal year (commencing with the fiscal year ending June 30, 1999), the County will provide unaudited financial statements within such time period.

c. The presentation of the financial information referred to in paragraph a. and in paragraph b. shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

d. If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in a. and b. above, the County shall send in a timely manner a notice of such failure to each National Repository or to the MSRB and to the State Depository.

e. The County hereby represents and warrants that it has not failed to comply with any prior disclosure undertaking made pursuant to the Rule.

SECTION 4. *Reporting of Significant Events.*

a. This Section 4 shall govern the giving of notices of the occurrence of any of the following Reportable Events with respect to the Bonds, each of which shall constitute a Reportable Event for purposes hereof:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) Modifications to rights of owners of the Bonds;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds; or

(11) Rating changes.

b. Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall as soon as possible determine if such event would constitute material information for owners of Bonds, in accordance with the applicable "materiality" standard under then-current securities laws.

c. If the County has determined that a Reportable Event is material, the County shall file in a timely manner a notice of such occurrence with the National Repositories or the MSRB and the State Depository.

SECTION 5. *Termination of Reporting Obligations.* The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 6. *Amendments.*

a. The County may provide further or additional assurances that will become part of the County's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion, provided that:

(1) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the County as the obligated person with respect to the Bonds, or type of business conducted by the County;

(2) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment does not materially impair the interests of owners of the Bonds, including beneficial owners, as determined by bond counsel selected by the County or by an approving vote of at least 25% of the outstanding principal amount of the Bonds.

b. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of financial information or operating data being provided will be explained in narrative form in information provided with the annual financial information containing the additional or amended financial information or operating data.

SECTION 7. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event.

SECTION 8. *Limitation on Remedies and Forum.*

a. The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to Director of Finance, 15th Floor, Executive Office Building, 101 Monroe Street, Rockville, Maryland 20850, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 3a. or 3b. hereof or a notice of occurrence of a Reportable Event.

b. Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Montgomery County, Maryland.

SECTION 9. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Bonds, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 10. *Relationship to Bonds.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 12. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 13. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 14. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

MONTGOMERY COUNTY, MARYLAND

By: ________________________________

County Executive