GO COMMITTEE #1
February 2, 2023

M E M O R A N D U M

January 30, 2023

TO: Government Operations & Fiscal Policy Committee

FROM: Glenn Orlin, Senior Analyst
Keith Levchenko, Senior Legislative Analyst
Essie McGuire, Senior Legislative Analyst
Naeem Mia, Legislative Analyst

SUBJECT: Spending Affordability Guidelines for the Amended FY23-28 Capital Improvements Program (CIP) and other CIP assumptions

<u>Anticipated attendees</u>:
Jennifer Bryant, Director, Office of Management & Budget (OMB)
Michael Coveyou, Director, Department of Finance
Mary Beck, Capital Budget Coordinator, OMB

The objective for this worksession is for the Committee to review the Spending Affordability Guidelines (SAGs)[1] for the Amended FY23-28 CIP and the set of associated CIP assumptions. The Committee will prepare its recommendations for the Council's review on February 7, the deadline for the Council either to confirm or amend guidelines. According to the County Code, any February revision is supposed to "reflect a significant change in conditions" regarding affordability, and not to take need into account. After February 7 the Council can adopt an aggregate capital budget that has expenditures that exceed the guidelines, but only with 8 or more affirmative votes.

I. GENERAL OBLIGATION BONDS

1. Council approved guidelines and targets. The General Obligation (G.O.) Bond SAGs apply to FY23, FY24, and the FY23-28 period. The SAGs and targets approved for the FY23-28 CIP on October 1, 2021, were $300 million in FY23, $290 million in FY24, $280 million in FY25, and $270 million each year during FYs26-28, for a six-year total of $1.68 billion. On February 1, 2022, the Council decided not to amend the guidelines. However, when the Council ultimately approved the FY23-28 CIP in May 2022, it did so assuming $280 million in each of the six years, reaching the same six-year total of $1.68 billion. Thus, the Council-approved CIP stayed within the guidelines, something it has done in all but 3 of the 32 years since this process was initiated in 1991 following from a 1990 Charter amendment.

The guidelines can be amended by a simple majority of Councilmembers present by the first Tuesday the subsequent year. The County Code restricts any increase to the first-year or the second-year guideline to 10% over the previously set amount. The Council can lower the FY23 and FY24 guidelines as low at it wishes. It can raise or lower the FY23-28 guideline as high or low as it wishes.

[1] Key words:#SpendingAffordability, plus search terms capital improvements program, capital budget

The Executive proposes increasing the bond levels in FY24 and FY25 by $20 million in each year, thus increasing the six-year guideline by $40 million, to $1,720 million; this is reflected in the G.O. Bond Adjustment Chart accompanying the Executive's January 17, 2023 CIP recommendations (©1). Table 1 displays the General Obligation Bond levels in recent CIPs and in the January 17 Recommended CIP (**"FY23-28 Rec"**):

Table 1: General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY26	6 Year
FY17-22	340	340	340	340	340	340							2,040
FY17-22 Am	340	340	340	340	340	340							2,040
FY19-24			330	320	310	300	300	300					1,860
FY19-24 Am			330	320	320	310	290	290					1,860
FY21-26					320	310	300	290	280	270			1,770
FY21-26 Am					259	310	339	308	282	272			1,770
FY23-28							280	280	280	280	280	280	1,680
FY23-28 Rec							**280**	**300**	**300**	**280**	**280**	**280**	**1,720**

To assist in determining debt capacity—how much debt the County can afford—the Committee and Council rely on the debt capacity analysis charts that show the value of various indicators of debt affordability (stipulated in County Code Section 20-57) at various levels of debt over the next six years. The indicators are:

1. Total debt should not exceed 1.5% of full market value of taxable real property.
2. The sum of debt service and long-term and short-term lease payments should not exceed 10% of General Fund revenue.
3. Real debt per capita should not exceed $1,000 by a "significant" amount. The $1,000 threshold was established in 1991. As a working definition of this indicator, the Council should assume that real debt per capita should not exceed $2,400 in FY24 dollars.
4. The ratio of per capita debt to per-capita income should not exceed 3.5%.
5. 60-75% of the debt at the beginning of any period should be paid off within ten years.

The Department of Finance has updated the assumptions and inputs for the bond interest rate, operating revenue growth, population growth, inflation, assessable base, and total personal income. A comparison of the assumptions and inputs from last February to now is on ©2:

- The annual interest rates on bonds are assumed to remain at 5% annually. .
- Operating Budget revenue growth forecast for FY24 is anticipated to shrink by more than two-thirds (+1.1%), compared to the +3.4% growth assumed last February. The revenue growth forecasts for FYs25-28 are also significantly lower now.
- The population growth rate is anticipated to be marginally lower in FYs24-26 and marginally higher in FYs27-28.
- The annual inflation rates are forecast to be 12% lower in FY24 and 27% lower in FY25, with lesser reductions in FY26-28.
- The countywide assessable base is projected to grow by 7% by FY28, only half as much as had been assumed last February.
- Countywide personal income is projected to rise marginally faster in FYs24-26, but marginally slower in FYs27-28.

These assumptions drive the results of these indicators more than the debt levels themselves. Using the new input assumptions, OMB's debt capacity analysis for the Executive's recommended guidelines and targets is on ©3. Compare this chart to the debt capacity analyses of the approved guidelines and targets from last February on ©4, and the G.O. bond levels in the Approved FY23-28 CIP from last May on ©5. (The scenarios reflected in ©4 and ©5 also use the same new input assumptions.) These charts show the following about the five indicators:

- *Debt/total assessed value.* This indicator is met in each year under all three scenarios, but the Executive's scenario is at the edge of a passing grade (1.50%) in FY28.
- *Debt service plus lease payments as a share of General Fund revenue.* This indicator fails the 10% threshold by a wide margin in all six years; for all three scenarios it is in the mid 11-12% range each year. The Executive's scenario is worse than the other two.
- *Real debt/capita.* This indicator also fails its threshold ($2,400) by a wide margin in all six years for all three scenarios. And, again, the Executive's scenario is worse than the other two.
- *Per capital debt/per capita income.* This indicator barely fails the 3.5% threshold in FY23 under last February's guidelines (it's 3.51%), but it meets the guideline in FYs24-28. The May 2022 and Executive's proposed bond levels meet the 3.5% threshold every year.
- *Payout ratio.* This indicator is met or just barely exceeded by all three scenarios.

A graphic comparison of the performance of the three scenarios is on ©6-10.

Another point of comparison: the chart on ©11 shows the same May 2022 bond level scenario as ©5, except here using the input assumptions from last May. Note that the performance of the indicators in ©5 are noticeably worse than the corresponding indicators in ©11. This would be true for any of the three scenarios. So even retaining the same bond levels produces poorer results, more evidence that forecasted economic conditions are getting worse, not better.

Council staff recommends changing the guidelines to reflect the bond levels in the Approved CIP: $280 million each in FY23 and FY24, and targets of $280 million annually in FYs25-28, thus retaining the six-year guideline of $1.68 billion. There is no evidence that economic conditions have improved to warrant increasing the guidelines. Most economists are predicting a recession, although there is disagreement as to how long and how deep. Housing activity has fallen off, as recognized in the new Recordation Tax revenue forecast (see below). Employment growth continues to lag in the County compared to the rest of the region, and in the region compared to the country at large.

The Executive's rationale for raising the guidelines is to help fund certain capital needs, especially for the school system. But as noted, the guidelines must be based on what can be *afforded*, not what is *needed*. Other means to address the shortfall include, but are not limited to:

- *Further increasing PAYGO.* This is cash for bond-eligible projects that would otherwise be available for the Operating Budget. In December's Fiscal Plan update the Department of Finance noted that the projected FY23 ending General Fund reserve would be 12.3% of spending, well above the 10% policy goal. While most of this is recommended to provide some buffer for the anticipated recession, some of it perhaps could be allocated as added PAYGO. This is especially true if forthcoming income tax distributions are higher than expected.
- *Increasing one or more taxes to raise revenue for the capital program.* Examples are the School Increment to the Recordation Tax and Recordation Tax Premium. In 2020 the Planning Board, in a proposal accompanying what became the 2020-2024 Growth and Infrastructure Policy,

recommended an increase to this Recordation Tax to offset the foregone revenue from its concurrent proposal to lower impact taxes. The prior Council lowered the impact taxes, but it chose not to raise the two Recordation Taxes.

- *Assuming a smaller General Obligation bond set-aside.* As noted later in this packet, the Executive's proposes a capital set-aside (i.e., reserve) that is larger than in most CIP off-years. A somewhat smaller set-aside would create more fiscal capacity to fund projects already in the CIP, although this would mean somewhat less fiscal capacity to add projects in later CIPs.

2. Inflation rates. The inflation rates in the adjustment charts are not supposed to measure construction cost inflation, but general inflation: they are a means of translating the general value of the annual bond guidelines and targets so that they can be compared against aggregate CIP expenditures, which are expressed in constant dollars. The Department of Finance takes the lead in developing inflation forecasts. Compared to its forecast last March, Finance is now assuming the annual inflation rates to be somewhat lower in FYs24-26 and somewhat higher in FYs27-28.

Typically, a forecast is developed during the winter which is part of the basis for building the Executive's Recommended CIP. Finance updates these assumptions in the late winter based on more recent trends, in preparation for the development of the Executive's Recommended Operating Budget and Public Services Program (PSP). The Council uses the same rates in the CIP as in the PSP. **When the updated rates are available Council staff will report their effect on the funds available for programming.** Table 2 shows the inflation assumptions used in the recently approved CIPs:

Table 2: Inflation Assumptions in Recent CIPs (%)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
FY19-24	1.95	2.07	2.20	2.30	2.38	2.43				
FY19-24 Am	1.95	2.32	2.53	2.70	2.70	2.70				
FY21-26			1.59	1.61	1.60	1.58	1.56	1.54		
FY21-26 Am			1.59	1.62	1.99	2.42	2.44	2.44		
FY23-28					3.04	2.26	2.37	2.37	2.28	2.16
FY23-28 Rec					**3.04**	**2.11**	**1.77**	**2.19**	**2.33**	**2.36**

3. Set-aside for bond-funded projects. In building the CIP the Council has always set aside some funding capacity to cover anticipated and unanticipated contingencies. The set-asides will be needed for: (1) the design, land acquisition, and construction cost of projects currently in facility planning, whether they be roads, schools, or any other bond-eligible project; (2) the inevitable cost increases that occur once more is known about the scope of projects and the problems that must be overcome to deliver them; and (3) one-time needs or opportunities that cannot be foreseen. The set-asides in recent CIPs are shown in Table 3:

Table 3: Capital Set-Asides for General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr	%
FY19-24	15.1	19.5	20.4	23.6	42.6	45.4					166.7	8.5
FY19-24 Am	0.0	12.0	15.8	21.5	51.9	58.1					159.4	8.1
FY21-26			10.5	17.1	21.2	22.7	32.3	46.7			150.5	7.9
FY21-26 Am					0.9	17.7	19.6	22.2	22.6	25.5	108.5	5.9
FY23-28					17.1	19.6	25.4	33.5	39.2	42.5	177.3	9.9
FY23-28 Rec					**7.4**	**17.9**	**21.1**	**32.8**	**33.6**	**38.5**	**151.1**	**8.2**

During most of the past decade, the pattern for set-asides for an amended CIP has been less than for a full CIP, since by the time it is approved an amended CIP represents 5 years instead of 6. For the Amended FY23-28 CIP the Executive is recommending a set-aside of about $151.2 million, or 8.2% of the G.O. bond proceeds available for programming. This is a higher set-aside than in most CIP off-years: the average set-aside over the past several off-year CIPs was 6.7%. **Council staff suggests the size of the set-asides in the later years be revisited at CIP Reconciliation.**

II. PAYGO

Typically, the CIP dedicates a certain amount of current revenue as an offset against bond expenditures, also called PAYGO. The County policy is to peg the amount of PAYGO in a year to at least 10% of the G.O. Bond guideline or target for that year. The Executive's recommendation is to increase PAYGO by $2 million more in both FY24 and FY25. The PAYGO assumptions in recent CIPs are in Table 4.

Table 4: PAYGO Assumptions in Recent CIPs ($ millions)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr
FY17-22	34.0	34.0	34.0	34.0							204.0
FY17-22 Am	34.0	34.0	34.0	34.0							204.0
FY19-24	33.0	32.0	31.0	30.0	30.0	30.0					186.0
FY19-24 Am	33.0	32.0	32.0	31.0	29.0	29.0					186.0
FY21-26			32.0	31.0	30.0	29.0	28.0	27.0			177.0
FY21-26 Am					0.0	15.5	33.9	30.8	28.2	27.2	135.6
FY23-28					33.9	30.8	29.2	29.2	29.0	29.0	181.1
FY23-28 Rec					**33.9**	**32.8**	**31.2**	**29.2**	**29.0**	**29.0**	**185.1**

Council staff recommends accepting the Executive's increased PAYGO level in FY24 and FY25 and considering a somewhat higher PAYGO in FYs25-28, to be determined at CIP Reconciliation.

III. IMPACT AND RECORDATION TAXES

Recordation taxes. The recordation tax is in three tiers: the revenue in the first tier is deposited into the General Fund, the second increment is dedicated to capital funding for Montgomery County Public Schools (MCPS), and a third tier—the Recordation Tax Premium that is applied to recordations above $500,000—is split evenly between County Government capital projects and rental assistance programs. The funds dedicated to capital projects are essentially types of PAYGO or Current Revenue.

Starting in FY17 the Council approved an increase in the tax associated with the School Increment. Recent revenue from the Recordation Tax—School Increment is shown below:

Table 5: Recent Revenue from the School Increment of the Recordation Tax

FY18	$55,495,916
FY19	62,274,141
FY20	65,652,722
FY21	68,982,683
FY22	97,784,238
FY23 (first half)	35,048,977

Based on Finance's latest projections, the Executive is assuming about $468.3 million in the six-year period, a reduction of $113.2 million (-19.5%) compared to the Approved CIP. The collections in the first six months of FY23 are roughly on track to achieving the $77.6 million in revenue anticipated by the end of the year. **Council Staff concurs with Finance's estimate.** Table 6 shows the revenues assumed in the Approved and Recommended Amended CIPs:

Table 6: School Increment of Recordation Tax ($ thousands)

CIP	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr
FY23-28	90,407	102,780	96,352	108,248	91,770	91,894	581,451
FY23-28 Rec	**77,629**	**82,107**	**73,761**	**74,804**	**77,065**	**82,904**	**468,270**

Recent revenue from the Recordation Tax Premium is shown below:

Table 7: Recent Revenue from the Recordation Tax Premium

FY18	$12,936,278
FY19	16,024,636
FY20	18,388,868
FY21	16,313,395
FY22	27,898,755
FY23 (first half)	10,105,303

Finance is assuming about $114.2 million in Recordation Tax Premium revenue during the six-year period, a reduction of about $25.0 million (-17.9%) compared to the Approved CIP. The collections in the first six months of FY23 are on track to reaching the $19.2 million in revenue anticipated by the end of the year. **Council staff concurs with Finance's estimate.** Table 8 shows the revenues assumed in the Approved and Recommended Amended CIPs:

Table 8: Recordation Tax Premium ($ thousands)

CIP	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr
FY23-28	22,391	22,882	24,154	23,726	23,005	23,036	139,194
FY23-28 Rec	**19,188**	**17,700**	**18,491**	**18,752**	**19,319**	**20,782**	**114,232**

Impact taxes. For several years revenue from impact taxes was overestimated, leading to the need to supplant impact tax revenue with General Fund advances which ultimately are reimbursed with funds that otherwise could be used for other projects in the CIP. Starting thirteen years ago, the Council initiated the practice of assuming conservative revenue estimates for impact taxes. At CIP Reconciliation, if actual revenue proved to be somewhat higher, the Council would be in the happier position to program the additional amount.

Transportation impact tax revenue is particularly volatile from year to year; not only is it dependent on the ups and downs of real estate construction, but developers can get a dollar-for-dollar credit against the tax for building capacity-adding facilities that could otherwise be funded by impact tax revenue. Depending on when a credit is cashed in within a given year can significantly affect revenue in that year. Recent revenue from the Transportation Impact Tax is shown below:

Table 9: Recent Revenue from the Transportation Impact Tax[2]

FY18	$12,227,794
FY19	29,049,554
FY20	10,666,493
FY21	12,932,493
FY22	13,266,676
FY23 (first half)	5,233,153

Regarding the Transportation Impact Tax, the Executive is assuming $78.1 million in revenue during the six-year period, a $18.1 million (28.2%) increase. Some of this is yet unprogrammed revenue carried over from FY22. **Council staff concurs with Finance's projections.** Table 10 shows the revenues assumed in the Approved and Recommended Amended CIPs:

Table 10: Transportation Impact Tax Revenue Assumptions ($ thousands)

CIP	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr
FY23-28	14,782	9,240	9,240	9,240	9,240	9,240	60,982
FY23-28 Rec	**13,843**	**15,090**	**9,090**	**9,090**	**17,865**	**13,090**	**78,068**

Recent revenue from the School Impact Tax is shown below:

Table 11: Recent Revenue from the School Impact Tax

FY18	$20,795,511
FY19	27,729,115
FY20	22,936,170
FY21	31,976,669
FY22	21,021,560
FY23 (first half)	5,194,394

Finance is assuming about $154.5 million in school impact tax revenue during the six-year period, about an $18.7 million (13.8%) increase over the Approved CIP. Again, some of this is yet unprogrammed revenue carried over from FY22. **Council staff concurs with Finance's forecast.** Table 12 shows the revenues assumed in the Approved and Recommended Amended CIPs:

Table 12: School Impact Tax Revenue Assumptions ($ thousands)

CIP	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr
FY23-28	22,630	22,630	22,630	22,630	22,630	22,630	135,780
FY23-28 Rec	**10,546**	**22,147**	**26,892**	**31,638**	**31,638**	**31,638**	**154,499**

[2] These figures do not include County impact tax funds collected in Rockville and Gaithersburg, which can only be spent on transportation capacity projects in those municipalities.

IV. STATE SCHOOL CONSTRUCTION AID

Table 13, below, shows the State school construction aid assumptions in the last five CIPs. The Executive is assuming $564.7 million in State aid over the six-year period, $13.6 million (2.5%) more than the Approved CIP.

Table 13: State School Construction Aid in Recent CIPs ($ millions)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr
FY19-24	59.7	59.2	59.2	59.2	59.2	59.2					355.7
FY19-24 Am	59.7	59.2	59.2	59.2	59.2	59.2					355.7
FY21-26			58.7	58.7	58.7	58.7	58.7	58.7			352.2
FY21-26 Am					54.1	68.7	83.3	94.7	81.6	65.6	448.1
FY23-28					90.0	93.7	116.0	107.3	77.2	67.0	551.1
FY23-28 Rec					**86.5**	**96.6**	**117.8**	**107.7**	**91.8**	**64.3**	**564.7**

The Education and Culture (E&C) Committee will evaluate the State aid assumption estimates during its review of the Board of Education (BOE) CIP request. Regardless of the revenue assumption eventually selected, the E&C Committee has again requested the Superintendent to develop a package of "non-recommended reductions/deferrals" that would bring the BOE's amended CIP in line with the six-year and annual General Obligation Bond totals recommended by the County Executive.

V. CURRENT REVENUE

The Executive's proposed Current Revenue Adjustment Chart is on ©12. The Executive is recommending that about $574.8 million of tax-supported Current Revenue be available in FY23-28 (inflation adjusted), $1.8 million (0.3%) more than in the Approved CIP. Current Revenue levels in past CIPs and the Recommended Amended CIP are shown below:

Table 14: Current Revenue in Recent CIPs ($ millions, inflation adjusted)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	6-Yr
FY19-24	26.3	78.7	84.6	71.0	90.3	88.4					439.3
FY19-24 Am	26.3	33.5	86.5	74.1	98.9	99.9					395.9
FY21-26			65.9	77.4	95.3	92.1	73.1	75.8			479.7
FY21-26 Am			71.4	78.4	106.8	94.4	74.6	78.1			503.7
FY23-28					92.4	113.3	90.7	86.4	97.1	93.1	573.0
FY23-28 Rec					**105.0**	**105.0**	**90.5**	**85.6**	**96.2**	**92.4**	**574.8**

Council staff concurs with the Executive's recommends for now. If past is prologue, the Executive's recommended Current Revenue proposal for FY24 will be reduced somewhat in March as he tries to find resources to fund his Recommended FY24 Operating Budget.

VI. M-NCPPC BONDS

In the Approved CIP the SAGs for bonds issued by the Maryland-National Capital Park & Planning Commission (M-NCPPC) were $8.0 million each year, a total of $48.0 million over the six-year period. The Executive proposes no change to the $8.0 million/year guidelines and bond targets in FYs23-28 (©13). **Council staff concurs with the Executive.**

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY23-28 Amended Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 17, 2023

($ millions)	6 YEARS	FY23	FY24	FY25	FY26	FY27	FY28
BONDS PLANNED FOR ISSUE	1,720.000	280.000	300.000	300.000	280.000	280.000	280.000
Does not assume Council SAG in FY09 and FY10*							
Plus PAYGO Funded	185.100	33.900	32.800	31.200	29.200	29.000	29.000
Adjust for Future Inflation **	**(61.636)**	**-**	**-**	**(5.760)**	**(11.889)**	**(18.646)**	**(25.341)**
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,843.464	313.900	332.800	325.440	297.311	290.354	283.659
Less Set Aside: Future Projects	**151.212**	**7.418**	**17.904**	**21.085**	**32.843**	**33.611**	**38.351**
	8.20%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,692.252	306.482	314.896	304.355	264.468	256.743	245.308
MCPS	(525.849)	(116.786)	(131.973)	(94.799)	(86.813)	(60.671)	(34.807)
MONTGOMERY COLLEGE	(148.760)	(23.702)	(25.069)	(21.663)	(16.955)	(27.041)	(34.330)
M-NCPPC PARKS	(79.837)	(12.747)	(15.524)	(12.289)	(13.526)	(12.795)	(12.956)
TRANSPORTATION	(526.261)	(110.504)	(101.373)	(80.464)	(78.300)	(73.942)	(81.678)
MCG - OTHER	(530.565)	(82.652)	(120.068)	(95.140)	(68.874)	(82.294)	(81.537)
Programming Adjustment - Unspent Prior Years*	119.020	39.909	79.111				
	-						
SUBTOTAL PROGRAMMED EXPENDITURES	(1,692.252)	(306.482)	(314.896)	(304.355)	(264.468)	(256.743)	(245.308)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
NOTES:							
** Adjustments Include:							
Inflation =		3.04%	2.11%	1.77%	2.19%	2.33%	2.36%

DEBT CAPACITY ANALYSIS
KEY ASSUMPTIONS AND INPUTS
Approved February SAG 2022 vs. CE RECOMMENDED Amended FY23-28 CIP (January 2023)

		Year 1 FY 23	Year 2 FY 24	Year 3 FY 25	Year 4 FY 26	Year 5 FY 27	Year 6 FY 28
1	INTEREST RATE ON BONDS						
	Approved February SAG (2022)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	FY23-28 CE Recommended - January 2023	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
2	OPERATING GROWTH						
	Approved February SAG (2022)	2.50%	3.40%	3.10%	2.80%	3.00%	3.00%
	FY23-28 CE Recommended - January 2023	2.50%	1.10%	2.20%	1.90%	1.70%	2.20%
3	POPULATION						
	Approved February SAG (2022)	1,083,986	1,091,395	1,098,854	1,106,364	1,113,926	1,121,539
	FY23-28 CE Recommended - January 2023	1,083,986	1,090,480	1,097,702	1,105,957	1,114,273	1,122,652
4	FY CPI INFLATION						
	Approved February SAG (2022)	1.99%	2.42%	2.44%	2.44%	2.44%	2.44%
	FY23-28 CE Recommended - January 2023	1.99%	2.11%	1.77%	2.19%	2.33%	2.36%
5	ASSESSABLE BASE-COUNTYWIDE						
	Approved February SAG (2022)	212,070,282	217,522,457	223,208,339	229,079,243	235,148,962	241,436,625
	FY23-28 CE Recommended - January 2023	212,070,282	215,716,692	219,981,599	223,371,424	225,011,552	226,745,298
6	TOTAL PERSONAL INCOME						
	Approved February SAG (2022)	$101,000,000,000	$107,200,000,000	$113,600,000,000	$119,800,000,000	$125,600,000,000	$131,300,000,000
	FY23-28 CE Recommended - January 2023	$101,000,000,000	$109,120,000,000	$115,150,000,000	$120,040,000,000	$124,620,000,000	$129,360,000,000

DEBT CAPACITY ANALYSIS

FY23-28 AMENDED CAPITAL IMPROVEMENTS PROGRAM
COUNTY EXECUTIVE RECOMMENDED
January 17, 2023
6 Yr. Total ($Mn.) = 1,720.0 MILLION
FY23 Total ($Mn.)= 280.0 MILLION
FY24 Total ($Mn.)= 300.0 MILLION

	GUIDELINE	FY22	FY23	FY24	FY25	FY26	FY27	FY28
1. GO Bond Guidelines ($000s)		310,000	280,000	300,000	300,000	280,000	280,000	280,000
2. GO Debt/Assessed Value	1.5%	1.71%	1.66%	1.64%	1.60%	1.56%	1.53%	1.50%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	**11.62%**	**11.24%**	**11.39%**	**11.62%**	**11.75%**	**11.73%**	**11.62%**
4. $ Debt/Capita		3,269	3,256	3,243	3,216	3,159	3,098	3,034
5. $ Real Debt/Capita	$2,400	3,269	3,256	3,176	3,094	2,975	2,851	2,728
6. Capita Debt/Capita Income	3.5%	3.69%	3.49%	3.24%	3.07%	2.91%	2.77%	2.63%
7. Payout Ratio	60% - 75%	71.81%	72.67%	73.56%	74.18%	74.58%	74.91%	75.15%
8. Total Debt Outstanding ($000s)		3,535,985	3,529,830	3,536,750	3,529,910	3,494,060	3,451,665	3,406,300
9. Real Debt Outstanding ($000s)		3,535,985	3,529,830	3,463,601	3,396,811	3,290,332	3,176,355	3,062,290
10. OP/PSP Growth Assumption			5.9%	1.1%	2.2%	1.9%	1.7%	2.2%

(1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.
(2) OP/PSP Growth Assumption equals change in revenues from FY23 approved budget to FY24 budget for FY24 and budget to budget for FY25-28.

DEBT SERVICE IMPACT	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Assumed Issue Size ($000)	310,000	280,000	300,000	300,000	280,000	280,000	280,000
GO Bond Debt Service ($000)	391,628	396,696	406,328	425,276	437,135	443,739	447,005
Dollar change in GO Bond debt service (year to year)	8,267	5,068	9,632	18,948	11,859	6,604	3,265
Percentage change in GO Bond debt service (year to year)	2.16%	1.29%	2.43%	4.66%	2.79%	1.51%	0.74%
Dollar change in GO Bond debt service from the base (FY23)	0	0	9,632	28,580	40,439	47,044	50,309
Percentage change in GO Bond debt service from the base (FY23)	0.00%	0.00%	2.43%	7.20%	10.19%	11.86%	12.68%
STL and LTL Debt Service	45,837	51,422	52,946	53,774	56,807	57,968	60,695
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	437,465	448,118	459,273	479,050	493,942	501,707	507,700
Total Revenues	3,764,052	3,987,617	4,032,872	4,121,714	4,202,320	4,275,579	4,368,237

ASSUMED INCREASE IN DEBT ISSUANCE	Total Increase/(Decrease)	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Approved GO bond debt issuance (SAG)		310,000	300,000	290,000	280,000	270,000	270,000	270,000
Assumed GO bond debt issuance		310,000	280,000	300,000	300,000	280,000	280,000	280,000
Increase/(Decrease) in GO bond debt issuance	40,000	0	(20,000)	10,000	20,000	10,000	10,000	10,000

CC Approved SAG Bond Levels 300M, 290Mn, 280Mn, 270Mn, 270Mn, 270Mn

DEBT CAPACITY ANALYSIS

FY23-28 AMENDED CAPITAL IMPROVEMENTS PROGRAM

January 17, 2023

COUNTY COUNCIL APPROVED SAG (Updated for December 2022 Fiscal Plan)

6 Yr. Total ($Mn.) = 1,680.0 MILLION

FY23 Total ($Mn.)= 300.0 MILLION

FY24 Total ($Mn.)= 290.0 MILLION

	GUIDELINE	FY22	FY23	FY24	FY25	FY26	FY27	FY28
1. GO Bond Guidelines ($000s)		310,000	300,000	290,000	280,000	270,000	270,000	270,000
2. GO Debt/Assessed Value	1.5%	1.71%	1.67%	1.64%	1.60%	1.56%	1.52%	1.48%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	**11.70%**	**11.25%**	**11.42%**	**11.60%**	**11.65%**	**11.59%**	**11.43%**
4. $ Debt/Capita		3,269	3,275	3,252	3,207	3,141	3,071	2,999
5. $ Real Debt/Capita	$2,400	3,269	3,275	3,185	3,086	2,958	2,826	2,696
6. Capita Debt/Capita Income	3.5%	3.69%	3.51%	3.25%	3.06%	2.89%	2.75%	2.60%
7. Payout Ratio	60% - 75%	71.81%	72.67%	73.51%	74.29%	74.75%	75.15%	75.43%
8. Total Debt Outstanding ($000s)		3,535,985	3,549,830	3,546,750	3,519,910	3,474,060	3,421,665	3,366,300
9. Real Debt Outstanding ($000s)		3,535,985	3,549,830	3,473,394	3,387,188	3,271,498	3,148,748	3,026,330
10. OP/PSP Growth Assumption			5.9%	1.1%	2.2%	1.9%	1.7%	2.2%

(1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.

(2) OP/PSP Growth Assumption equals change in revenues from FY23 approved budget to FY24 budget for FY24 and budget to budget for FY25-28.

DEBT SERVICE IMPACT	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Assumed Issue Size ($000)	310,000	300,000	290,000	280,000	270,000	270,000	270,000
GO Bond Debt Service ($000)	391,628	397,196	407,803	424,214	432,598	437,315	438,743
Dollar change in GO Bond debt service (year to year)	8,267	5,568	10,607	16,411	8,384	4,717	1,428
Percentage change in GO Bond debt service (year to year)	2.16%	1.42%	2.67%	4.02%	1.98%	1.09%	0.33%
Dollar change in GO Bond debt service from the base (FY23)	0	0	10,607	27,018	35,402	40,119	41,547
Percentage change in GO Bond debt service from the base (FY23)	0.00%	0.00%	2.67%	6.80%	8.91%	10.10%	10.46%
STL and LTL Debt Service	45,837	51,422	52,946	53,774	56,807	57,968	60,695
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	437,465	448,618	460,748	477,987	489,405	495,283	499,438
Total Revenues	3,739,052	3,987,617	4,032,831	4,121,477	4,201,840	4,275,017	4,367,637

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance (SAG)		310,000	300,000	290,000	280,000	270,000	270,000	270,000
Assumed GO bond debt issuance		310,000	300,000	290,000	280,000	270,000	270,000	270,000
Increase/(Decrease) in GO bond debt issuance	0	0	0	0	0	0	0	0

May 2022 Approved Bond Levels - 280Mn 280Mn 280Mn 280Mn 280Mn 280Mn

DEBT CAPACITY ANALYSIS

FY23-28 CAPITAL IMPROVEMENTS PROGRAM

January 17, 2023

COUNTY COUNCIL MAY 2022 APPROVED (Updated for December 2022 Fiscal Plan)

6 Yr. Total ($Mn.) = 1,680.0 MILLION

FY23 Total ($Mn.)= 280.0 MILLION

FY24 Total ($Mn.)= 280.0 MILLION

	GUIDELINE	FY22	FY23	FY24	FY25	FY26	FY27	FY28
1. GO Bond Guidelines ($000s)		310,000	280,000	280,000	280,000	280,000	280,000	280,000
2. GO Debt/Assessed Value	1.5%	1.71%	1.66%	1.63%	1.59%	1.55%	1.52%	1.48%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	**10%**	**11.62%**	**11.24%**	**11.36%**	**11.50%**	**11.57%**	**11.56%**	**11.45%**
4. $ Debt/Capita		3,269	3,256	3,225	3,179	3,123	3,062	2,999
5. $ Real Debt/Capita	$2,400	3,269	3,256	3,158	3,059	2,941	2,818	2,696
6. Capita Debt/Capita Income	3.5%	3.69%	3.49%	3.22%	3.03%	2.88%	2.74%	2.60%
7. Payout Ratio	60% - 75%	71.81%	72.67%	73.71%	74.46%	74.81%	75.11%	75.30%
8. Total Debt Outstanding ($000s)		3,535,985	3,529,830	3,516,750	3,489,910	3,454,060	3,411,665	3,366,300
9. Real Debt Outstanding ($000s)		3,535,985	3,529,830	3,444,015	3,358,320	3,252,664	3,139,546	3,026,330
10. OP/PSP Growth Assumption			5.9%	1.1%	2.2%	1.9%	1.7%	2.2%

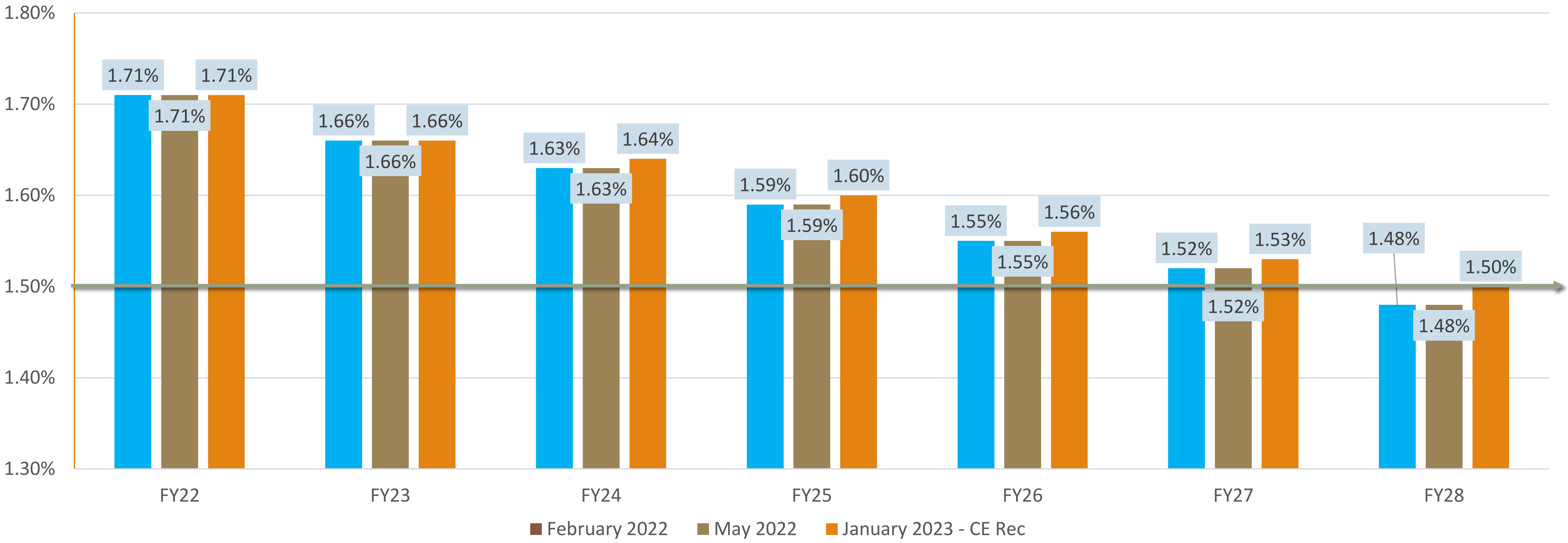
(1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.

(2) OP/PSP Growth Assumption equals change in revenues from FY23 approved budget to FY24 budget for FY24 and budget to budget for FY25-28.

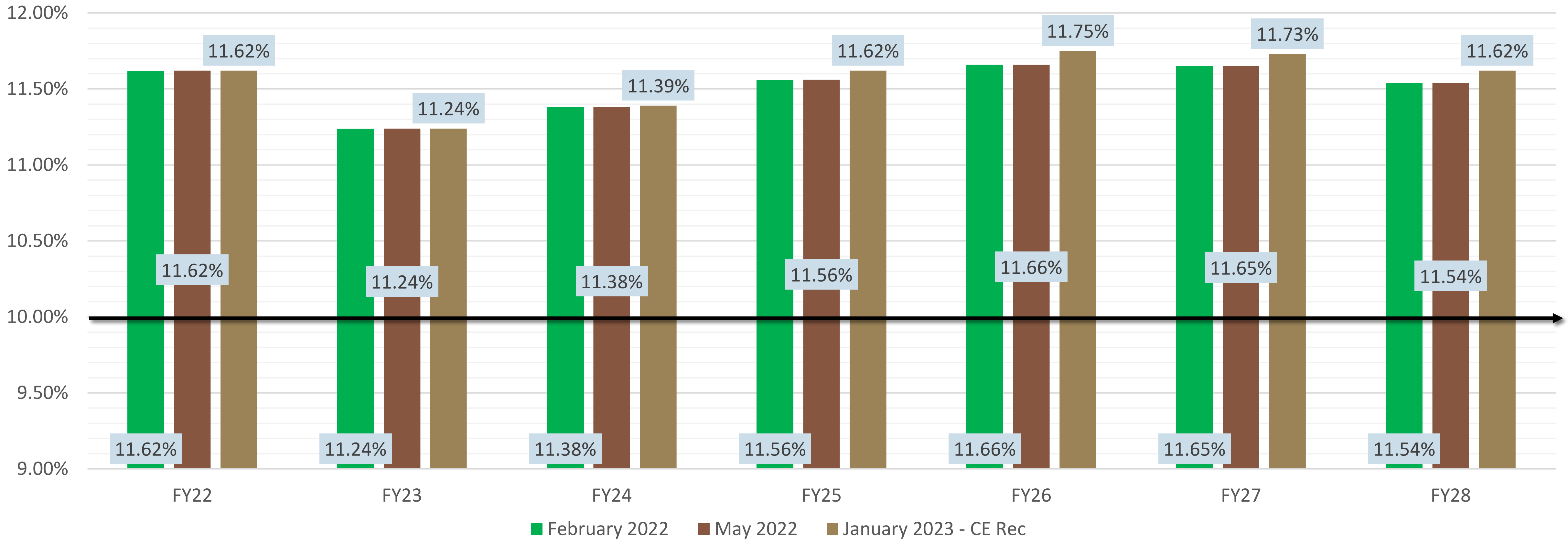
DEBT SERVICE IMPACT	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Assumed Issue Size ($000)	310,000	280,000	280,000	280,000	280,000	280,000	280,000
GO Bond Debt Service ($000)	391,628	396,696	405,328	420,301	429,285	436,090	439,555
Dollar change in GO Bond debt service (year to year)	8,267	5,068	8,632	14,973	8,984	6,805	3,465
Percentage change in GO Bond debt service (year to year)	2.16%	1.29%	2.18%	3.69%	2.14%	1.59%	0.79%
Dollar change in GO Bond debt service from the base (FY23)	0	0	8,632	23,605	32,589	39,394	42,859
Percentage change in GO Bond debt service from the base (FY23)	0.00%	0.00%	2.18%	5.95%	8.22%	9.93%	10.80%
STL and LTL Debt Service	45,837	51,422	52,946	53,774	56,807	57,968	60,695
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	437,465	448,118	458,273	474,075	486,092	494,058	500,250
Total Revenues	3,764,052	3,987,617	4,032,790	4,121,313	4,201,707	4,274,981	4,367,654

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**							
Approved GO bond debt issuance (SAG)		310,000	300,000	290,000	280,000	270,000	270,000	270,000
Assumed GO bond debt issuance		310,000	280,000	280,000	280,000	280,000	280,000	280,000
Increase/(Decrease) in GO bond debt issuance	0	0	(20,000)	(10,000)	0	10,000	10,000	10,000

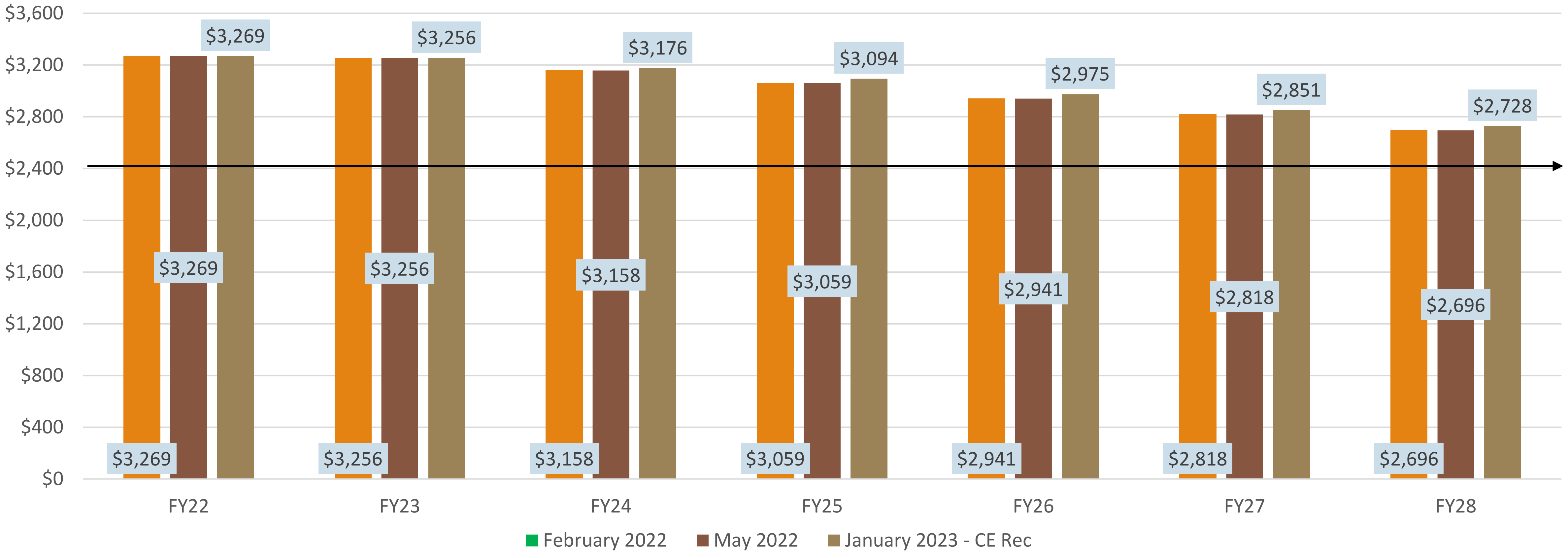
GO Debt as percentage of Assessed Value (GL = 1.5%)



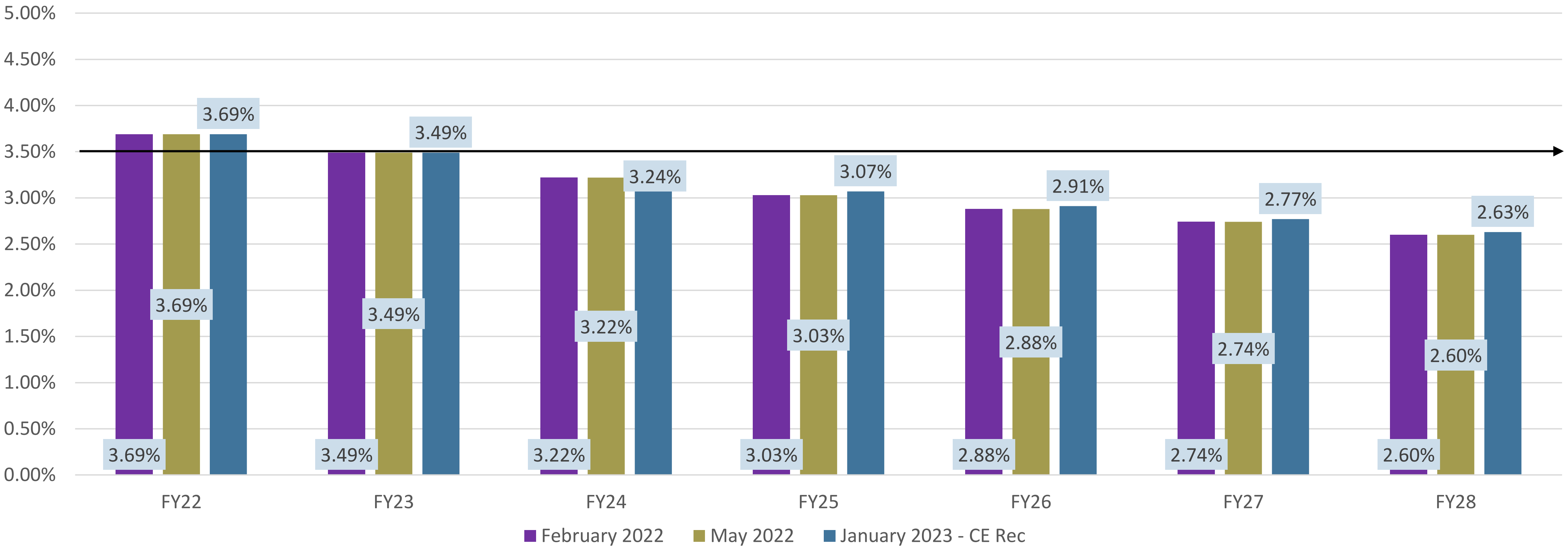
Debt Service + Long-Term Leases + Short-Term Leases as percentage of Operating Budget Revenues (GL = 10%)



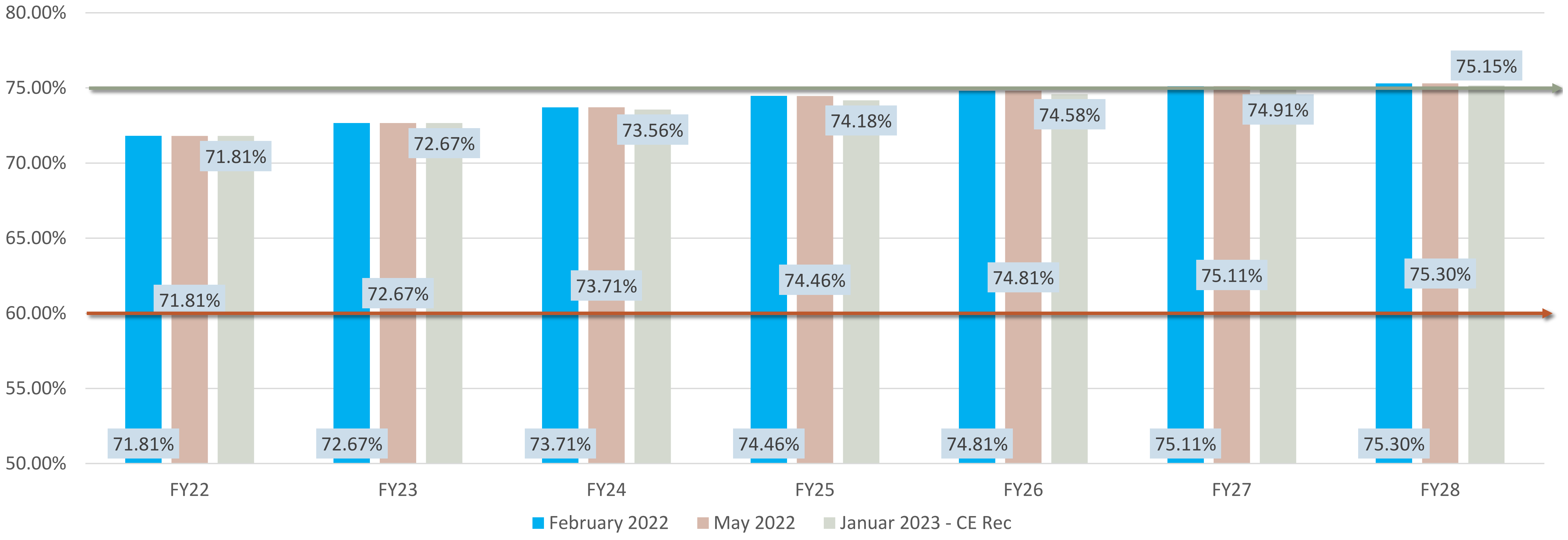
Real Debt per Capita($) (GL = $2,400)



Ratio of Debt to Total Personal Income (GL = 3.5%)



Payout Ratio (GL = 75% > X > 60%)



DEBT CAPACITY ANALYSIS

FY23-28 CAPITAL IMPROVEMENTS PROGRAM

COUNTY COUNCIL APPROVED with May Approved Economic Conditions

January 20, 2023

6 Yr. Total ($Mn.) = 1,680.0 MILLION

FY23 Total ($Mn.)= 280.0 MILLION

FY24 Total ($Mn.)= 280.0 MILLION

	GUIDELINE	FY22	FY23	FY24	FY25	FY26	FY27	FY28
1. GO Bond Guidelines ($000s)		310,000	280,000	280,000	280,000	280,000	280,000	280,000
2. GO Debt/Assessed Value	1.5%	1.70%	1.65%	1.60%	1.54%	1.48%	1.43%	1.37%
3. Debt Service + LTL + Short-Term Leases/Revenues (GF)	10%	**11.70%**	**11.14%**	**11.07%**	**11.10%**	**11.11%**	**11.00%**	**10.84%**
4. $ Debt/Capita		3,255	3,243	3,209	3,163	3,107	3,045	2,982
5. $ Real Debt/Capita	$2,400	3,255	3,147	3,046	2,933	2,814	2,696	2,584
6. Capita Debt/Capita Income	3.5%	3.67%	3.27%	3.11%	2.94%	2.78%	2.63%	2.48%
7. Payout Ratio	60% - 75%	71.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8. Total Debt Outstanding ($000s)		3,520,835	3,513,330	3,499,750	3,472,410	3,436,060	3,393,165	3,347,300
9. Real Debt Outstanding ($000s)		3,520,835	3,409,562	3,321,470	3,219,358	3,111,840	3,004,389	2,901,092
10. OP/PSP Growth Assumption			6.0%	2.9%	3.2%	2.5%	2.6%	2.8%

(1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.

(2) OP/PSP Growth Assumption equals change in revenues from FY22 approved budget to FY23 budget for FY23 and budget to budget for FY24-28.

DEBT SERVICE IMPACT	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Assumed Issue Size ($000)	310,000	280,000	280,000	280,000	280,000	280,000	280,000
GO Bond Debt Service ($000)	391,628	396,696	405,328	420,301	429,285	436,090	439,555
Dollar change in GO Bond debt service (year to year)	8,267	5,068	8,632	14,973	8,984	6,805	3,465
Percentage change in GO Bond debt service (year to year)	2.16%	1.29%	2.18%	3.69%	2.14%	1.59%	0.79%
Dollar change in GO Bond debt service from the base (FY22)	0	5,068	13,700	28,673	37,657	44,462	47,927
Percentage change in GO Bond debt service from the base (FY22)	0.00%	1.29%	3.50%	7.32%	9.62%	11.35%	12.24%
STL and LTL Debt Service	45,837	47,422	48,946	49,774	52,807	53,968	56,695
Total Debt Service for Debt Capacity (GO Bond + STL and LTL)	437,465	444,118	454,273	470,075	482,092	490,058	496,250
Total Revenues	3,739,052	3,987,617	4,103,241	4,233,588	4,341,053	4,455,038	4,577,900

ASSUMED INCREASE IN DEBT ISSUANCE	**Total Increase/(Decrease)**	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Approved GO bond debt issuance (SAG)		310,000	300,000	290,000	280,000	270,000	270,000	270,000
Assumed GO bond debt issuance		310,000	280,000	280,000	280,000	280,000	280,000	280,000
Increase/(Decrease) in GO bond debt issuance	0	0	(20,000)	(10,000)	0	10,000	10,000	10,000

TAX SUPPORTED CURRENT REVENUES ADJUSTMENT CHART

Amended FY23-28 Capital Improvements Program
COUNTY EXECUTIVE RECOMMENDED
01/17/2023

($ MILLIONS)	**6 YEARS**	FY23 ADJUSTED APPROP (2)	FY24 APPROP (1)	FY25 EXP	FY26 EXP	FY27 EXP	FY28 EXP
TAX SUPPORTED CURRENT REVENUES AVAILABLE	574.815	105.026	105.015	90.538	85.602	96.223	92.411
Adjust for Future Inflation *	(18.246)	-	-	(1.574)	(3.289)	(5.805)	(7.578)
SUBTOTAL CURRENT REVENUE FUNDS AVAILABLE FOR ELIGIBLE PROJECTS (after adjustments)	556.569	105.026	105.015	88.964	82.313	90.418	84.833
Less Set Aside: Future Projects	-	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	556.569	105.026	105.015	88.964	82.313	90.418	84.833
GENERAL FUND							
MCPS	(150.076)	(21.385)	(36.623)	(28.331)	(21.644)	(22.501)	(19.592)
MONTGOMERY COLLEGE	(93.804)	(16.434)	(17.034)	(15.084)	(15.084)	(15.084)	(15.084)
M-NCPPC	(30.083)	(4.751)	(5.029)	(4.985)	(5.141)	(5.129)	(5.048)
HOC	(10.225)	(3.975)	(1.250)	(1.250)	(1.250)	(1.250)	(1.250)
TRANSPORTATION	(54.537)	(8.832)	(8.887)	(9.327)	(8.932)	(7.677)	(10.882)
MC GOVERNMENT	(61.315)	(29.095)	(9.902)	(5.101)	(6.024)	(6.000)	(5.193)
SUBTOTAL - GENERAL FUND	(400.040)	(84.472)	(78.725)	(64.078)	(58.075)	(57.641)	(57.049)
MASS TRANSIT FUND	(116.990)	(15.640)	(19.460)	(17.940)	(18.195)	(25.400)	(20.355)
FIRE CONSOLIDATED FUND	(36.839)	(4.464)	(6.380)	(6.496)	(5.593)	(6.927)	(6.979)
PARK FUND	(2.700)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)	(0.450)
SUBTOTAL - OTHER TAX SUPPORTED	(156.529)	(20.554)	(26.290)	(24.886)	(24.238)	(32.777)	(27.784)
TOTAL PROGRAMMED EXPENDITURES	(556.569)	(105.026)	(105.015)	(88.964)	(82.313)	(90.418)	(84.833)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
* Inflation:		3.04%	2.11%	1.77%	2.19%	2.33%	2.36%

Note:
(1) FY24 Appropriation equals new appropriation authority. Additional current revenue funded appropriations will require drawing on operating fund balances.
(2) The FY23 Adjusted Appropriation includes the last FY23 approved appropriation plus year-to-date recommended and approved FY23 supplementals.

M-NCPPC BOND ADJUSTMENT CHART

FY23-28 Amended Capital Improvements Program
County Executive Recommended
January 17, 2023

($ millions)	6 YEARS	FY23	FY24	FY25	FY26	FY27	FY28
BONDS PLANNED FOR ISSUE	48.000	8.000	8.000	8.000	8.000	8.000	8.000
Plus PAYGO funded							
Adjust for Future Inflation	-1.723	0.000	0.000	-0.139	-0.339	-0.534	-0.711
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	46.277	8.000	8.000	7.861	7.661	7.466	7.289
Less Set Aside: Future Projects	0.406	0.000	0.000	0.051	0.031	0.108	0.216
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	45.871	8.000	8.000	7.810	7.630	7.358	7.073
Programmed P&P Bond Expenditures	-45.871	-8.000	-8.000	-7.810	-7.630	-7.358	-7.073
Programming adjustment - unspent prior years	0.000	0.000	0.000	0.000	0.000	0.000	0.000
SUBTOTAL PROGRAMMED EXPENDITURES	-45.871	-8.000	-8.000	-7.810	-7.630	-7.358	-7.073
AVAILABLE OR (GAP) TO BE SOLVED	0.000	0.000	0.000	0.000	0.000	0.000	0.000

NOTES:

See additional information on M-NCPPC Bond Programming Adjustment for Unspent Prior Year Detail Chart

Inflation =		FY23	FY24	FY25	FY26	FY27	FY28
Inflation =		3.04%	2.11%	1.77%	2.19%	2.33%	2.36%