AGENDA ITEM #4
February 5, 2019

MEMORANDUM

February 1, 2019

TO: County Council

GO

FROM: Glenn Orlin, Deputy Director

SUBJECT: Overview of Recommended Amended FY19-24 Capital Improvements Program (CIP); Spending Affordability Guidelines for the Amended FY19-24 CIP, and other CIP revenue assumptions

PURPOSE: Act to confirm or amend CIP Spending Affordability Guidelines, set initial revenue assumptions for the Amended CIP

The objectives for this worksession is to receive an overview of the Amended FY19-24 CIP and for the Council to confirm or amend the Spending Affordability Guidelines (SAGs) for the Amended CIP and to set the initial CIP revenue assumptions.[1] February 5 is the deadline for the Council either to confirm or amend guidelines. *Any February revision is supposed to "reflect a significant change in conditions" regarding affordability, and not to take need into account.* After February 5 the Council can adopt an aggregate capital budget that has expenditures that exceed the guidelines, but only with seven or more affirmative votes. The County Code section describing this process is on ©1-3.

Those anticipated to attend include:
Alex Espinosa, Director, Department of Finance
Richard Madaleno, Director, Office of Management and Budget (OMB)
Rob Hagedoorn, David Platt, and Dennis Hetman, Department of Finance
Mary Beck, OMB

I. OVERVIEW OF RECOMMENDED AMENDED FY19-24 CIP

Executive's recommendations. The Charter calls for a new CIP to be approved by June 1 in even-numbered years. A new CIP can be approved by a majority of Councilmembers present. At any other time, including an "off-year" such as this, the CIP can be amended. However, any amendment

[1] Key words: #CIPspendingaffordability, plus search terms for spending affordability guidelines, capital improvements program, CIP, PAYGO, inflation, impact tax, recordation tax, State school construction aid.

must be introduced, be subject to a public hearing, and can be approved only the affirmative vote of six or more Councilmembers.

On January 15, 2019, the County Executive transmitted his Recommended FY20 Capital Budget and amendments to the FY19-24 CIP. Overall, CIP spending (excluding WSSC) is recommended to decline by $93,291,000 (-2.1%) in FY19-24, from $4,424,260,000 to $4,330,969,000. The breakdown by agency and by category within County Government is shown in Table 1, below:

Table 1: Percentage of Programmed Funds by Agency and Program (in $000)

	Approved FY19-24 CIP	Executive's Rec. Amended CIP	Percent Change
Montgomery County Public Schools (MCPS)	1,777,498 (40.2%)	1,762,661 (40.7%)	-0.8%
Montgomery College	277,300 (6.3%)	279,589 (6.5%)	+0.8%
M-NCPPC (Parks)	219,984 (5.0%)	231,141 (5.3%)	+5.1%
Revenue Authority	17,450 (0.4%)	17,450 (0.4%)	0.0%
Housing Opportunities Commission	8,700 (0.2%)	8,700 (0.2%)	0.0%
County Government	2,123,328 (48.0%)	2,031,428 (46.9%)	-15.2%
Housing/Community Development	*42,280 (1.0%)*	*47,051 (1.1%)*	*+11.3%*
Cons. of Natural Resources/Solid Waste	*148,568 (3.4%)*	*151,008 (3.5%)*	*+1.6%*
General Government/HHS	*529,606 (12.0%)*	*533,096 (12.3%)*	*+0.7%*
Culture & Recreation	*124,604 (2.8%)*	*143,532 (3.3%)*	*+15.2%*
Public Safety	*143,485 (3.2%)*	*151,866 (3.5%)*	*+5.8%*
Transportation	*1,134,785 (25.6%)*	*1,004,875 (23.2%)*	*-11.4%*
TOTAL	**4,424,260**	**4,330,969**	**-2.1%**

- MCPS spending in FY19-24 would go down by about $14.8 million, but about $11.9 million of this are funds that MCPS spent in FY18. The remaining reduction reflects the Board of Education (BOE) decision not to proceed with the East Silver Spring ES Addition project. He has continued the practice of prior Executives of "approving" the individual projects in the BOE's request while also stipulating that about $51.1 million needs to be identified for reductions in the MCPS CIP. (The BOE's requests about $45 million more for FY19-24.)
- Transportation is the only sector that took a major reduction: it would go down by about $129.9 million (-11.4%). The largest reduction is due to the Executive's proposal to delete the Montrose Parkway East project (about $86.7 million in the six-year period, about $127.4 million if FY25 were included). Other reductions are due to the deferral of the Dorsey Mill Road Bridge, Bradley Boulevard Improvements, Forest Glen Passageway, White Flint Metro Station North Entrance, and Seven Locks Bikeway and Safety Improvements projects, and scope reductions in the Bicycle-Pedestrian Priority Area Improvements and Sidewalk and Curb Replacement projects.
- The Culture & Recreation portion of the County Government CIP would go up by about $18.9 million, mostly due to the $15.8 million supplemental appropriation request for the South County Regional Recreation and Aquatic Center project.
- There is very little increase or no change to the CIP spending for Montgomery College, Housing Opportunities Commission, Revenue Authority, and the other portions of the County Government CIP.

Working through the CIP. Here are a few comments and cautions, mostly to ward off serious divisiveness (a.k.a., a "train wreck") when the CIP is reconciled to the debt and current revenue guidelines and targets in mid-May. In most years CIP Reconciliation is achieved with little fanfare by making minor expenditure adjustments to several projects. But if after its initial round of worksessions the Council produces a pre-reconciled CIP that is well above the guidelines and targets, then Reconciliation can be an ugly exercise.

There is another reason to try to keep close to the guidelines and targets during the next few months. If the cumulative effect of the Council's straw votes is to include more funding than can reasonably be absorbed in the end, then the constituents for these projects can be lulled into a false sense of security that their projects are 'safe,' only to have the rug cut out from under them when projects are deferred or even deleted in mid-May. A better general approach is, if there is any question about the merit of a project, to be conservative about the amount or timing of its funding. This is generally the approach the Council uses with the Operating Budget, where it adds to the Executive's recommendations only when the Reconciliation List (a.k.a., "Wish List") is compiled in mid-May.

Unfortunately, none of us have thought of a way to figure out a true "Wish List" process for the CIP. This is because most projects are multi-year in nature, and many have multiple funding sources. Reconciling the Operating Budget is simple addition to a predetermined total; reconciling the CIP is more akin to solving a Rubik's Cube: accelerating or decelerating a project may help in meeting the target in one of the six years, but it may exacerbate the problem in other years. Nevertheless, the Council has managed to stay within spending affordability in nearly all the CIPs approved since the voters approved Charter Question 'F' in 1990.

Here are some suggestions for the Council as it works through the CIP in this amendment year:

- *Always keep in mind that the Council's aggregate CIP funding will likely be, at most, only marginally different than the aggregate funding level proposed by the Executive.* This means that, with a few exceptions, additions the Council wishes to make over the Executive's recommendations for projects should be accompanied by cuts to other projects.

- *Remember it is especially difficult to make significant changes to the Executive's recommendations in FY19 and FY20.* Much of the recommended spending in these years is for projects either already under construction or about to go under construction (for which significant funds have already been expended for planning, design, and land acquisition). Most of the rest of the funds are for continuing "level of effort" projects like PLAR, HVAC, roof replacement, etc.

- *While keeping the first two points in mind, don't think that each committee must work to keep "its" part of the capital budget within an artificial limit, such as the Executive's recommendations.* The CIP is an expression of the Council's priorities, not anyone else's. If the Council stays within the Executive's recommendations, it would be unnecessarily chaining itself to his general funding priorities.

- *Generally, consider only those proposed amendments that affect spending in FYs19 or 20.* When the biennial CIP was envisioned in the mid-1990s, the philosophy was that the off-year would be a time for projects that have completed facility planning and were ready for design and construction, or for needs within the first (current) or second (next) fiscal year. A proposed amendment that either initiates or increases the cost of a project that starts in FY21 or later—or increases level-of-effort funding in FY21 or later—should be deferred until the FY21-26 CIP next year, when they would compete for funding in a totally new CIP. Exceptions to this rule are the MCPS "Solution" projects, which are placeholders to keep certain clusters from going into moratorium under the Subdivision Staging Policy.

- *There is no CIP "Wish List."* During the worksessions, each committee (and later, the Council) should make definitive decisions about each project: approve it as recommended, delay it, accelerate it, and/or amend its scope, or delete it. At the same time, individual Councilmembers should make known publicly whether he or she has a caveat about its status. For example, if you think a project is important but not critical, you might recommend its approval during the worksession but say you may need to revisit its funding or timing at CIP Reconciliation. Our analysts have sharp ears and will pick up on such clues. This information will help immensely as we put together a CIP Reconciliation package.

- *Use the last Approved CIP as the benchmark, not the Executive's or an agency's request.* Although the Executive, BOE, Parks Board, etc., have prepared recommendations, progress on a project is best measured against the last official decision—the CIP approved last May.

II. GENERAL OBLIGATION BONDS

1. Council approved guidelines and targets. The General Obligation (G.O.) Bond SAGs apply to FY19, FY20, and the FY19-24 period. The SAGs and targets approved for the FY19-24 CIP on October 3, 2017 were $330 million in FY19, $320 million in FY20, $310 million in FY21, and $300 million each year during FYs22-24, for a six-year total of $1.86 billion. These guidelines were reconfirmed by the Council on February 6, 2018. The guidelines can be amended by a simple majority of Councilmembers present. The County Code restricts any increase to the first-year or the second-year guideline to 10% over the previously set amount. Since the current G.O. Bond guideline for FY19 is $330 million, the Council cannot raise it higher than $363 million. Similarly, the FY20 guideline can increase by no more than 10%, to $352 million. The Council can raise or lower the FY19-24 guideline as high or low as it wishes.

The Executive proposed adhering to the current guidelines and targets; this is reflected in the G.O. Bond Adjustment Chart accompanying the Executive's January 15, 2019 CIP recommendations (©4). Table 1 displays the General Obligation Bond levels in recent CIPs and in the January 15 Recommended Amended CIP ("Executive").

To assist in determining debt capacity—how much debt the County can afford—the Committee and Council rely in part on the debt capacity analysis charts that show the value of various indicators of debt affordability 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. As a working definition of this indicator, the Council should assume that real debt per capita should not exceed $2,300 in FY19 dollars.
4. The ratio of debt to 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, the assessable base, and total personal income. A comparison of the assumptions and inputs from last January to now is on ©5:

- The annual interest rates on bonds are assumed to remain unchanged at 5.0% annually.
- Operating Budget growth each year is now anticipated to be lower in FY20 (2.7% versus 3.1%), but the same or slightly higher in the later years.
- The population growth forecast now is slightly higher.
- The annual inflation rates are forecast now to be higher each year, starting in FY20.
- The countywide assessable base is projected now to increase slightly slower.
- Countywide personal income is now projected to grow marginally slower in some years, and marginally higher in others.

These assumptions drive the results of these indicators more than the debt levels themselves. Using the new input assumptions, the Office of Management and Budget's (OMB) debt capacity analysis for the Executive's recommended guidelines and targets is on ©6. Compare this chart to the analysis of the approved guidelines and targets from one year ago, on ©7. These charts show the following about the five indicators:

- *Debt/Assessed Value (Line 2).* This indicator is nearly unchanged than last January. It continues to be worse than the 1.50% standard in all six years, and by a wide margin in the earlier years.
- *Debt service plus lease payments as a share of General Fund revenue (Line 3).* This indicator is slightly better than last January, but it continues to fall in the 11-12% range through the CIP period, much worse than the 10% standard.
- *Real debt/capita (Line 5).* This indicator is worse than the $2,300/capita standard, by 24-49%, depending on the year.
- *Debt/income (Line 6).* This indicator is marginally better than last January; it will better the 3.50% standard by FY22.
- *Payout ratio (Line7).* This indicator is consistently in the desired 60-75% range each year.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive's recommendations.** Section 20-56(c)(4) of the County Code states that on the first Tuesday in February the Council can amend the CIP's Spending Affordability Guideline "to reflect a significant change in conditions" (see top of ©3). There is no significant change in conditions, so there is no predicate to raise the guidelines.

The indicators show that the County is still carrying too much of a debt burden. The guidelines and targets approved in October 2017 and confirmed in February 2018 moves in the right direction, but it will take many years at the $300 million/year (or lower) level to attain a sustainable debt service burden.

Table 2: General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	6 Year
FY13-18	295	295	295	295	295	295							1,770
FY13-18 Am	295	295	295	295	295	295							1,770
FY15-20			299.5	324.5	327	332	332	332					1,947
FY15-20 Am			299.5	340	340	340	340	340					1,999.5
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
Executive							330	320	310	300	300	300	1,860
GO Committee							**330**	**320**	**310**	**300**	**300**	**300**	**1,860**

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 higher in FYs20-24.

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 3 shows the inflation assumptions used in the recently approved CIPs.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive's recommendations, for now. A draft adoption resolution is on ©A.**

Table 3: Inflation Assumptions in Recent CIPs (%)

CIP	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
FY15-20	2.03	2.22	2.52	2.63	2.43	2.28				
FY15-20 Am	2.03	1.98	2.20	2.33	2.53	2.80				
FY17-22			1.80	2.30	2.50	2.70	2.70	2,70		
FY17-22 Am			1.80	2.25	2.30	2.35	2.45	2.50		
FY19-24					1.95	2.07	2.20	2.30	2.38	2.43
Executive					1.95	2.27	2.56	2.85	2.85	2.85
GO Committee					**1.95**	**2.27**	**2.56**	**2.85**	**2.85**	**2.85**

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 anything else; (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 prior CIPs are shown in Table 4.

During the past decade, the pattern for set-asides has been that a full CIP reserved about 8-9% of available funding, and that an Amended CIP reserved a lesser percentage, since it is essentially only a 5-year CIP. This pattern of reserves has been enough to allow for growth in the cost of projects already in the CIP and a fiscal placeholder for some projects in facility planning to be funded for construction in the subsequent CIP.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive.**

Table 4: Capital Set-Asides for General Obligation Bonds in Recent CIPs ($ millions)

CIP	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr	%
FY15-20	11.5	20.8	22.9	28.9	37.4	67.8					189.4	8.1
FY15-20 Am	0.0	14.5	15.8	17.2	19.4	35.2					102.2	4.5
FY17-22			10.4	21.6	28.7	47.9	59.5	99.4			267.5	12.4
FY17-22 Am			0.0	18.5	18.2	35.8	38.0	71.8			182.3	8.4
FY19-24					15.1	19.5	20.4	23.6	42.6	45.4	166.7	8.5
Executive					6.0	12.6	15.0	24.8	33.2	43.7	135.2	6.9
GO Committee					**6.0**	**12.6**	**15.0**	**24.8**	**33.2**	**43.7**	**135.2**	**6.9**

III. 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 program PAYGO at 10% of the guidelines and targets, as in years past. The PAYGO assumptions in recent CIPs are in Table 5.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive's recommendations, for now.**

Table 5: PAYGO Assumptions in Recent CIPs ($ millions)

CIP	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr
FY15-20	29.95	32.45	32.7	33.2	33.2	33.2					194.7
FY15-20 Am	29.95	34.0	34.0	34.0	34.0	34.0					199.95
FY17-22			34.0	34.0	34.0	34.0	34.0	34.0			204.0
FY17-22 Am			34.0	34.0	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
Executive					33.0	32.0	31.0	30.0	30.0	30.0	186.0
GO Committee					**33.0**	**32.0**	**31.0**	**30.0**	**30.0**	**30.0**	**186.0**

IV. IMPACT AND RECORDATION TAXES

In 2002 the Council approved an increase to the County's recordation tax. The proceeds from this increment were used to supplement capital funding for any MCPS project or Montgomery College information technology project. More recently this increment was increased, and all the proceeds were devoted to MCPS projects. These funds are essentially types of PAYGO and Current Revenue.

Twelve years ago, the Council amended the recordation tax to increase the rate by $1.55/$500 (i.e., 0.31%) for the value of a transaction greater than $500,000. Half of the incremental revenue is dedicated to rental assistance programs and half to County Government capital projects (e.g., roads, libraries, police and fire stations). This has been called the Recordation Tax Premium.

Recordation Tax - School Increment. The Council approved legislation that allowed funds from both forms of the recordation tax to be used for the Operating Budget in FY11 and FY12, so far less of these funds were made available to the CIP in those years, but subsequently revenues collected from these sources returned to their originally intended uses. In 2016 the Council substantially increased the tax rate for the Recordation Tax—School Increment. The revenue collected during the past few years is shown below:

Table 6: Revenue from the School Increment of the Recordation Tax

FY13	$27,640,951
FY14	$24,948,565
FY15	$26,147,938
FY16	$28,930,068
FY17	$57,826,469
FY18	$55,495,916
FY19 (first half)	$33,128,065

The Executive is recommending programming $62,494,000 in School Recordation Tax revenue in FY19: about $3.3 million more than had been assumed for FY19 in the Approved CIP. The forecasts for the subsequent years have also been revised slightly upward, generally. The experience in the first six months of this fiscal year suggests that a modest upward adjustment is appropriate. During the first six months of FY19 the County has collected about $33.1 million, which projects to about $66.2 million for the full year: about $7 million more than was budgeted in the Approved CIP. Table 7 shows the revenues assumed in the Approved and Recommended Amended CIPs.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive's recommendations.** The $62.5 million estimate for FY19 is prudently assumes slightly less revenue in the second half of FY19. Council staff will re-examine the actual collections in early May to determine whether to use an adjusted revenue assumption as part of CIP Reconciliation.

Table 7: School Increment of Recordation Tax ($ thousands)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr
FY19-24	59,192	61,367	63,216	65,815	66,555	68.810	384,955
Executive	62,494	64,253	63,467	65,706	67,566	70,364	393,850
GO Committee	**62,494**	**64,253**	**63,467**	**65,706**	**67,566**	**70,364**	**393,850**

Recordation Tax Premium. The Executive is recommending programming $15,097,000 in Recordation Tax Premium revenue in FY19—about $850,000 higher than the amount assumed for FY19 in the Approved CIP. He is recommending marginally lower level in FY20 and marginally higher levels in FYs21-24. During the first half of FY19 the County has collected $8,417,415 in Recordation Tax Premium revenue, which is on a pace for $16.8 million if the second half of FY19 mirrors the first half.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive's recommendations.** The $15.1 million estimate for FY19 prudently assumes slightly less revenue in the second half of FY19. Council staff will re-examine the actual collections in early May as part of CIP Reconciliation.

<u>Table 8</u>: Recordation Tax Premium ($ thousands)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr
FY19-24	14,246	14,733	15,197	15,822	16,034	16,586	92,617
Executive	15,097	14,673	15,490	15,923	16,391	17,069	95,343
GO Committee	**15,097**	**14,673**	**15,490**	**15,923**	**16,391**	**17,069**	**95,343**

Impact Tax – Transportation. 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 with the FY11-16 CIP, the Council initiated the practice of assuming conservative revenue estimates for impact taxes.

The revenue collected over the past few years (not including within Rockville and Gaithersburg, where the revenue is dedicated to projects within their respective jurisdictions) is shown below:

<u>Table 9</u>: Revenue from the Transportation Impact Tax

FY13	$5,603,862
FY14	$14,968,066
FY15	$14,639,354
FY16	$7,460,558
FY17	$13,355,263
FY18	$12,228,094
FY19 (first half)	$7,047,808

Regarding the Transportation Impact Tax, the Executive is recommending assuming a reduction in revenue below what the Council had assumed in corresponding years in the Approved CIP. Revenue from this tax is very difficult to predict due to vacillations in building cycles and, for this tax, the further uncertainty as to when credits are cashed in. Revenue in the first half of FY19 has been $7.0 million, which is on a pace for $14.1 million if the second half of FY19 mirrors the first half.

GO Committee *(and Council staff)* **recommendation (2-1): Councilmembers Navarro and Friedson recommend assuming $12 million annually in FYs20-24 and concurring with the Executive's estimate for FY19. Councilmember Katz concurs with the Executive.** As noted above, transportation impact tax revenue is extremely unpredictable. Rather than trying to guesstimate the future building cycle and the timing of credits, a better approach is to apply a somewhat conservative estimate and apply it over each of the six years. Again, Council staff will re-examine the actual collections in early May as part of CIP Reconciliation. A summary of the recommendations is shown below:

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

CIP	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr	Change
FY19-24	13,003	13,175	12,536	14,124	14,558	14,434	81,830	-
Executive	11,282	11,227	10,444	11,582	11,687	12,728	68,950	-15.7%
Council staff	*11,282*	*12,000*	*12,000*	*12,000*	*12,000*	*12,000*	*71,282*	*-13.9%*
CMs Navarro&Freidson	**11,282**	**12,000**	**12,000**	**12,000**	**12,000**	**12,000**	**71,282**	**-13.9%**
CM Katz	11,282	11,227	10,444	11,582	11,687	12,728	68,950	**-15.7%**

Impact Tax – Schools. Revenue from the School Impact Tax for the past few years is below:

Table 11: Revenue from the School Impact Tax

FY13	$27,901,753
FY14	$45,837,274
FY15	$32,676,773
FY16	$23,349,333
FY17	$39,286,909
FY18	$20,795,511
FY19 (first half)	$10,883,148

The Executive is recommending $19,604,000 be programmed with School Impact Tax revenue in FY19, and $119,847,000 during FYs19-24, about 50% less than what the Approved CIP had assumed. A sobering point is that during the first six months of FY19 the County has collected only $10,883,148 in School Impact Taxes, which projects a shortfall of $20 million in FY19. The Executive attributes much of this reduction to developers exercising the law that exempts market-rate units from impact taxes if they provide 25% or more MPDUs.

After consulting with Finance, OMB, and Planning staff, Council staff concludes that about 25% of this reduction—about $30 million over the six-year period—is attributable to the market-rate unit exemption. This is a substantial factor. However, most of the reduction is due to other factors: the general downturn in the residential and commercial construction, the assumption that the downturn will continue throughout the FY19-24 period, and that a greater percentage of the housing being built is comprised of high-rise units, which pay a much lower impact tax per unit.

Council staff recommends assuming $25 million annually in FYs20-24; concur with the Executive's estimate for FY19. This is still a substantial write-down from what was assumed in the Approved CIP, but it is still a conservative estimate. Building downturns typically do not last six years, Furthermore, the Executive has signaled that he will be transmitting a bill soon that would eliminate or cut back the market-rate unit exemption; if the Council were to take it up this winter and spring, depending upon its action the Council could adjust the school impact tax revenue assumption prior to CIP Reconciliation in May.

GO Committee recommendation (2-1): Councilmembers Navarro and Katz recommend assuming the Executive's recommendations in FY19 and FY20, assuming $20 million in FY21, and $25 million in FY22, FY23, and FY24. Councilmember Friedson also recommends assuming the Executive's recommendations in FY19 and FY20, but he recommends $25 million in FY21, and $32 million in FY22, FY23, and FY24. A summary of the recommendations is shown below:

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

CIP	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr	Change
FY19-24	39,592	37,370	36,534	40,579	42,676	43,792	240,543	-
Executive	19,604	18,720	19,191	20,846	20,497	20,989	119,847	-50.2%
Council staff	*19,604*	*25,000*	*25,000*	*25,000*	*25,000*	*25,000*	*144,604*	*-39.9%*
CMs Navarro&Katz	**19.604**	**18,720**	**20,000**	**25,000**	**25,000**	**25,000**	**133,324**	**-44.5%**
CM Friedson	19,604	18,720	25,000	32,000	32,000	32,000	159,324	-33.8%

V. STATE SCHOOL CONSTRUCTION AID

Table 13, below, shows the State school construction aid assumptions in the last five CIPs. In each of the last three years the County has received State aid of $50.1 million, $59.2 million, and $59.7 million, respectively. The Executive is assuming that the $59.2 million State contribution in FY18 will continue in each of the next six years.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive's recommendations.** The Education & Culture (EC) 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 EC Committee may again need to request the BOE to develop a "negative wish list" should this level of State school construction aid—as well as the revenue from school recordation and impact taxes—not appear to be forthcoming.

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

CIP	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr
FY15-20	39.9	40.0	40.0	40.0	40.0	40.0					239.9
FY15-20 Am	39.9	45.8	40.0	40.0	40.0	40.0					245.7
FY17-22			50.1	51.7	51.7	51.7	51.7	51.7			308.6
FY17-22 Am			50.1	59.2	51.7	51.7	51.7	51.7			316.1
FY19-24					59.7	59.2	59.2	59.2	59.2	59.2	355.7
Executive					59.7	59.2	59.2	59.2	59.2	59.2	355.7
GO Committee					**59.7**	**59.2**	**59.2**	**59.2**	**59.2**	**59.2**	**355.7**

VI. CURRENT REVENUE

The Executive's proposed Current Revenue Adjustment Chart is on ©8. The Executive is recommending that about $438.7 million of tax-supported Current Revenue be available in FY19-24 (inflation adjusted), only about $600,000 lower than in the Approved CIP (all in FY20). Current Revenue levels in past CIPs and the Recommended Amended CIP are shown in Table 14, below.

GO Committee *(and Council staff)* **recommendation (3-0): Concur with the Executive's recommendations, for now.** If past is prologue, the Current Revenue proposal for FY19 will decline somewhat when the Operating Budget is transmitted in March. The Executive has indicated that he will have revised Current Revenue recommendations accompanying the Operating Budget.

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

CIP	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr
FY15-20	45.8	73.7	66.9	68.5	72.4	70.8					398.0
FY15-20 Am	51.4	57.7	68.3	68.1	74.0	70.9					390.4
FY17-22			45.8	80.8	80.7	71.4	72.1	65.0			405.1
FY17-22 Am			59.1	66.2	95.5	71.9	79.0	71.2			442.9
FY19-24					26.3	78.7	84.6	71.0	90.3	88.4	439.3
Executive					26.3	78.1	84.6	71.0	90.3	88.4	438.7
GO Committee					**26.3**	**78.1**	**84.6**	**71.0**	**90.3**	**88.4**	**438.7**

VII. PARK AND PLANNING BONDS

On October 3, 2017 the Council-approved SAGs for Park and Planning Bonds of $6.5 million for FY19, $6.5 million for FY20 and $39.0 million for FY19-24. On February 6, 2018 the Council reconfirmed these guidelines and targets. The Executive does not recommend amending these guidelines and targets, and he has developed his CIP recommendations at these levels (©9).

The Executive is incorrectly assuming a lower inflation rate in FYs20-24 for local park projects (the type of projects funded with Park and Planning bonds), than he assumes for all other types of projects in the CIP that are funded with G.O. bonds and Current Revenue, including non-local park projects. In past CIPs, including the FY19-24 CIP, the same inflation rate forecast has been used for G.O. bonds, Current Revenue, and Park and Planning bonds. However, if a consistent set of inflation rates are used, there will not be enough resources to fund the Executive's recommendations for Park and Planning bond projects in FYs21-24.

GO Committee *(and Council staff)* **recommendation (3-0): Retain the Park and Planning bond guidelines for FY19 and for FY20 at $6.5 million, but raise the targets for FYs21-23 to $6.6 million and for FY24 to $6.7 million, thus raising the FY19-24 guideline to $39.5 million, a 1.3% increase (©10). A draft adoption resolution is on ©A.** This would be enough to fund the Park and Planning bond projects while raising debt service only marginally in the latter years of the CIP. The chart below shows the Committee's recommendations compared to the existing guidelines and targets and those recommended by the Executive:

Table 15: Park and Planning Bond Guidelines and Targets ($ thousands)

CIP	FY19	FY20	FY21	FY22	FY23	FY24	6-Yr
FY19-24	6,500	6,500	6,500	6,500	6,500	6,500	39,000
Executive	6,500	6,500	6,500	6,500	6,500	6,500	39,000
GO Committee	**6,500**	**6,500**	**6,600**	**6,600**	**6,600**	**6,700**	**39,500**

f:\orlin\fy19\cipgen\sag\190205cc.go.doc

Resolution No: ____________
Introduced: ____________
Adopted: ____________

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: Spending Affordability Guidelines for the FY 2020 Aggregate Capital Budget

Background

1. Emergency Bill 29-91 established a procedure for setting the Spending Affordability Guidelines for the aggregate capital budget, as required by the amendment to Section 305 of the Charter which the voters approved in November 1990. This procedure was amended by Emergency Bill 31-97, which reflects the biennial capital improvements program process required by the amendment to Section 302 of the Charter which the voters approved in November 1996.

2. The legislation requires the Council to set six guidelines, which are listed in the Action section.

3. The legislation lists a number of economic and financial factors which should be considered, requires a public hearing before the Council adopts guidelines, and requires that the Council adopt guidelines by resolution no later than the first Tuesday in October in odd-numbered years. A public hearing was held on September 19, 2017.

4. The guidelines reflect adjustments for unprogrammed projects, inflation and implementation rates.

Action

The County Council for Montgomery County approves the following resolution:

The Council reconfirms the following guidelines for the aggregate capital budget, which were adopted on October 3, 2017 and confirmed on February 6, 2018:

1. The total general obligation bond debt issued by the County that may be planned for expenditure in fiscal year 2019; $330 million

2. The total general obligation bond debt issued by the County that may be planned for expenditure in fiscal year 2020; $320 million

3. The total general obligation bond debt issued by the County that may be approved under the capital improvements program for fiscal years 2019-2024; $1.86 billion

4. The total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in fiscal year 2019 for projects in the County; and $6.5 million

5. The total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in fiscal year 2020 for projects in the County. $6.5 million

The Council amends the following guideline:

6. The total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be approved under the capital improvements program for fiscal years 2019-2024. $39.5 million

This is a correct copy of Council action.

____
Megan Davey Limarzi, Clerk of the Council

A

c. In any agreement by the county relating to revenue bonds; and

(2) Compel the performance of all duties required by:

a. This article; or

b. A resolution authorizing revenue bonds; or

c. Any agreement by the county relating to revenue bonds, in accordance with law. (1986 L.M.C., ch. 52, § 1.)

Sec. 20-54. Credit of county not pledged.

(a) Revenue bonds are not indebtedness of the county within the meaning of the Charter and do not constitute a pledge of the full faith and credit of the county.

(b) All revenue bonds must contain a statement on their face to the effect that the full faith and credit of the county is not pledged to pay their principal, interest, or premium, if any. (1986 L.M.C., ch. 52, § 1.)

ARTICLE X. SPENDING AFFORDABILITY—CAPITAL BUDGETS*

Sec. 20-55. Definitions.

In this Article, the following terms have the meanings indicated:

(a) *"Aggregate capital budget"* means all capital budgets approved by the County Council.

(b) *"Capital improvements program"* means the comprehensive 6-year program for capital improvements submitted by the County Executive to the County Council under Section 302 of the Charter.

(c) *"Council"* means the County Council sitting as a spending affordability committee under Section 305 of the Charter. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

***Editor's note**—See County Attorney Opinion dated 10/30/91-A describing the additions to Charter § 305 by Question F as not conflicting with the TRIM amendment.

Prior to its repeal and reenactment by CY 1991 L.M.C., ch. 29, Art. X was entitled "Spending Affordability;" consisted of §§ 20-55—20-59, and was derived from CY 1991 L.M.C., ch. 1, § 1.

1

Sec. 20-56. Establishment of Guidelines.

(a) *General.* The Council must adopt spending affordability guidelines for the aggregate capital budget under this Article.

(b) *Content.* The guidelines for the aggregate capital budget must specify the:

(1) total general obligation debt issued by the County that may be planned for expenditure in the first fiscal year under the capital improvements program;

(2) total general obligation debt issued by the County that may be planned for expenditure in the second fiscal year under the capital improvements program;

(3) total general obligation debt issued by the County that may be approved under the 6-year capital improvements program;

(4) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the first fiscal year under the capital improvements program for projects in the County;

(5) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the second fiscal year under the capital improvements program for projects in the County; and

(6) total amount of debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission for projects in the County that may be approved under the 6-year capital improvements program.

(c) *Procedures.*

(1) The Council must adopt spending affordability guidelines for the aggregate capital budget, by resolution, not later than the first Tuesday in October in each odd-numbered calendar year.

(2) The council must hold a public hearing before it adopts guidelines under paragraph (1).

(3) The Council may delegate responsibility for monitoring relevant affordability indicators to its standing committee with jurisdiction over spending affordability matters.

(4) Not later than the first Tuesday in February of each year, the Council may, subject to paragraph (5), amend the resolution establishing the guidelines to reflect a significant change in conditions. An amendment may alter a guideline by either an upward or downward adjustment in dollar amount.

(5) Any upward adjustment of a dollar amount under paragraph (4) for a guideline required by subsection (b)(1), (b)(2), (b)(4), or (b)(5) must not exceed 10%. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-57. Affordability Indicators.

In adopting its guidelines, the Council should consider, among other relevant factors:

(a) the growth and stability of the local economy and tax base;

(b) criteria used by major rating agencies related to creditworthiness, including maintenance of a "AAA" general obligation bond rating;

(c) County financial history;

(d) fund balances;

(e) bonded debt as a percentage of the full value of taxable real property;

(f) debt service as a percentage of operating expenditures;

(g) the effects of proposed borrowing on levels of debt per-capita, and the ability of County residents to support such debt as measured by per-capita debt as a percentage of per-capita income;

(h) the rate of repayment of debt principal;

(i) availability of State funds for County capital projects;

(j) potential operation and maintenance costs relating to debt financed projects; and

(k) the size of the total debt outstanding at the end of each fiscal year. (CY 1991 L.M.C., ch. 29, § 2; 1997 L.M.C., ch. 33, § 1.)

Sec. 20-58. Approval of Capital Budgets.

Any aggregate capital budget that exceeds the spending affordability guidelines in effect after the first Tuesday in February requires the affirmative vote of 7 councilmembers for approval. (CY 1991 L.M.C., ch. 29, § 2.)

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY19-24 Amended Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 15, 2019

($ millions)	6 YEARS	FY19	FY20	FY21	FY22	FY23	FY24
BONDS PLANNED FOR ISSUE	1,860.000	330.000	320.000	310.000	300.000	300.000	300.000
Plus PAYGO Funded	186.000	33.000	32.000	31.000	30.000	30.000	30.000
Adjust for Future Inflation **	(85.738)	-	-	(8.512)	(17.153)	(25.822)	(34.251)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	1,960.262	363.000	352.000	332.488	312.847	304.178	295.749
Less Set Aside: Future Projects	135.226	5.973	12.583	15.020	24.773	33.224	43.653
	6.90%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,825.036	357.027	339.417	317.468	288.074	270.954	252.096
MCPS	(744.484)	(98.104)	(143.837)	(130.837)	(109.555)	(139.257)	(122.894)
MONTGOMERY COLLEGE	(121.622)	(20.926)	(13.921)	(22.169)	(24.776)	(15.774)	(24.056)
M-NCPPC PARKS	(66.628)	(12.139)	(10.687)	(10.152)	(10.618)	(11.431)	(11.401)
TRANSPORTATION	(460.091)	(105.447)	(124.606)	(73.734)	(73.885)	(40.871)	(41.548)
MCG - OTHER	(489.219)	(120.411)	(103.375)	(80.576)	(69.040)	(63.620)	(52.197)
Programming Adjustment - Overspent Prior Years*	57.008		57.009	-		(0.001)	-
	-						
SUBTOTAL PROGRAMMED EXPENDITURES	(1,825.036)	(357.027)	(339.417)	(317.468)	(288.074)	(270.954)	(252.096)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-

NOTES:

* See additional information on the GO Bond Programming Adjustment for Unspent Prior Year Detail Chart

** Adjustments Include:

		FY19	FY20	FY21	FY22	FY23	FY24
Inflation =		1.95%	2.27%	2.56%	2.85%	2.85%	2.85%

DEBT CAPACITY ANALYSIS
KEY ASSUMPTIONS AND INPUTS
CE Rec March 2018 vs. CE RECOMMENDED Biennial FY19-24 CIP (January, 2019)

		Current Year FY 19	Year 2 FY 20	Year 3 FY 21	Year 4 FY 22	Year 5 FY 23	Year 6 FY 24
1	INTEREST RATE ON BONDS						
	CE Rec March 2018	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	FY19-24 Biennial CE Recommended - January 15, 2019	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
2	OPERATING GROWTH						
	CE Rec March 2018	1.90%	3.10%	2.40%	2.40%	2.80%	3.00%
	FY19-24 Biennial CE Recommended - January 15, 2019	1.90%	2.70%	2.40%	2.50%	3.10%	3.20%
3	POPULATION						
	CE Rec March 2018	1,063,510	1,070,140	1,076,810	1,083,520	1,090,270	1,097,060
	FY19-24 Biennial CE Recommended - January 15, 2019	1,063,510	1,088,820	1,099,020	1,099,300	1,119,690	1,130,170
4	FY CPI INFLATION						
	CE Rec March 2018	1.95%	2.07%	2.20%	2.30%	2.38%	2.43%
	FY19-24 Biennial CE Recommended - January 15, 2019	1.95%	2.27%	2.56%	2.85%	2.85%	2.85%
5	ASSESSABLE BASE-COUNTYWIDE						
	CE Rec March 2018	196,518,800	204,827,000	213,762,000	222,877,800	231,818,600	241,412,600
	FY19-24 Biennial CE Recommended - January 15, 2019	196,518,800	202,924,200	211,370,600	220,371,100	229,903,400	240,009,700
6	TOTAL PERSONAL INCOME						
	CE Rec March 2018	94,790,000,000	98,710,000,000	102,630,000,000	106,730,000,000	110,940,000,000	115,230,000,000
	FY19-24 Biennial CE Recommended - January 15, 2019	94,270,000,000	98,210,000,000	102,280,000,000	106,870,000,000	110,330,000,000	115,310,000,000

5

DEBT CAPACITY ANALYSIS

FY19-24 Amended Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 15, 2019

GO BOND 6 YR TOTAL = 1,860.0 MILLION

GO BOND FY19 TOTAL = 330.0.0 MILLION

GO BOND FY20 TOTAL = 320.0 MILLION

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1 GO Bond Guidelines ($000)	340,000	330,000	320,000	310,000	300,000	300,000	300,000
2 GO Debt/Assessed Value	1.84%	1.82%	1.79%	1.74%	1.68%	1.62%	1.56%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	**11.30%**	**11.65%**	**11.86%**	**11.82%**	**11.81%**	**11.74%**	**11.41%**
4 $ Debt/Capita	3,279	3,355	3,337	3,349	3,373	3,331	3,313
5 $ Real Debt/Capita (FY18=100%)	3,279	3,291	3,201	3,131	3,067	2,945	2,848
6 Capita Debt/Capita Income	3.82%	3.78%	3.70%	3.60%	3.47%	3.38%	3.25%
7 Payout Ratio	68.70%	69.58%	70.19%	71.10%	71.94%	72.71%	73.42%
8 Total Debt Outstanding ($000s)	3,483,555	3,568,115	3,633,670	3,680,095	3,708,090	3,730,025	3,744,375
9 Real Debt Outstanding (FY18=100%)	3,483,555	3,499,868	3,485,058	3,441,482	3,187,307	3,206,161	3,218,496
10 Note: OP/PSP Growth Assumption (2)	0.0%	1.9%	2.7%	2.4%	2.5%	3.1%	3.2%

Notes:

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

(2) OP/PSP Growth Assumption equals change in revenues from FY19 approved budget to FY20 budget for FY20 and budget to budget for FY21-24.

9

DEBT CAPACITY ANALYSIS

FY19-24 Capital Improvements Program

COUNTY EXECUTIVE RECOMMENDED

January 16, 2018

GO BOND 6 YR TOTAL = 1,860.0 MILLION

GO BOND FY19 TOTAL = 330.0 MILLION

GO BOND FY20 TOTAL = 320.0 MILLION

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1 GO Bond Guidelines ($000)	340,000	330,000	320,000	310,000	300,000	300,000	300,000
2 GO Debt/Assessed Value	1.85%	1.83%	1.79%	1.74%	1.69%	1.63%	1.57%
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	**11.30%**	**11.73%**	**11.87%**	**11.96%**	**11.87%**	**11.77%**	**11.65%**
4 $ Debt/Capita	3,305	3,396	3,450	3,485	3,503	3,513	3,518
5 $ Real Debt/Capita (FY18=100%)	3,173	3,182	3,157	3,116	3,206	3,141	3,073
6 Capita Debt/Capita Income	3.85%	3.78%	3.71%	3.63%	3.52%	3.41%	3.30%
7 Payout Ratio	68.70%	69.58%	70.50%	71.38%	72.21%	72.93%	73.60%
8 Total Debt Outstanding ($000s)	3,511,335	3,612,105	3,692,310	3,753,170	3,795,580	3,830,460	3,859,765
9 Real Debt Outstanding (FY18=100%)	3,371,699	3,383,865	3,378,592	3,355,428	3,315,431	3,345,899	3,371,497
10 Note: OP/PSP Growth Assumption (2)	0.0%		3.2%	2.6%	2.7%	3.0%	3.2%

Notes:

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

(2) OP/PSP Growth Assumption equals change in revenues from FY18 approved budget to FY19 budget for FY19 and budget to budget for FY20-24.

TAX SUPPORTED CURRENT REVENUES ADJUSTMENT CHART							
FY19-24 Amended Capital Improvements Program **COUNTY EXECUTIVE RECOMMENDED** **January 15, 2019**							
($ MILLIONS)	**6 YEARS**	FY19 APPROP (1)	FY20 APPROP (1)	FY21 EXP	FY22 EXP	FY23 EXP	FY24 EXP
TAX SUPPORTED CURRENT REVENUES AVAILABLE	458.672	26.272	78.141	86.493	74.210	96.687	96.869
Adjust for Future Inflation *	(19.967)	-	-	(1.862)	(3.230)	(6.358)	(8.517)
SUBTOTAL CURRENT REVENUE FUNDS AVAILABLE FOR ELIGIBLE PROJECTS (after adjustments)	438.705	26.272	78.141	84.631	70.980	90.329	88.352
Less Set Aside: Future Projects	-	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	438.705	26.272	78.141	84.631	70.980	90.329	88.352
GENERAL FUND							
MCPS	(108.901)	(3.802)	(22.195)	(21.993)	(14.652)	(23.657)	(22.602)
MONTGOMERY COLLEGE	(87.081)	(11.661)	(15.084)	(15.084)	(15.084)	(15.084)	(15.084)
M-NCPPC	(23.288)	(2.258)	(3.438)	(4.398)	(4.398)	(4.398)	(4.398)
HOC	(8.100)	(1.250)	(1.850)	(1.250)	(1.250)	(1.250)	(1.250)
TRANSPORTATION	(50.415)	(2.648)	(8.354)	(10.088)	(10.373)	(9.646)	(9.306)
MC GOVERNMENT	(25.642)	(5.762)	(4.630)	(4.400)	(3.600)	(3.650)	(3.600)
SUBTOTAL - GENERAL FUND	(303.427)	(27.381)	(55.551)	(57.213)	(49.357)	(57.685)	(56.240)
MASS TRANSIT FUND	(95.530)	1.533	(16.129)	(16.452)	(10.657)	(27.178)	(26.647)
FIRE CONSOLIDATED FUND	(26.673)	(0.099)	(6.111)	(5.116)	(5.116)	(5.116)	(5.115)
PARK FUND	(2.100)	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)
ECONOMIC DEVELOPMENT FUND	(11.000)	-	-	(5.500)	(5.500)	-	-
RECREATION	0.025	0.025	-	-	-	-	-
SUBTOTAL - OTHER TAX SUPPORTED	(135.278)	1.109	(22.590)	(27.418)	(21.623)	(32.644)	(32.112)
TOTAL PROGRAMMED EXPENDITURES	(438.705)	(26.272)	(78.141)	(84.631)	(70.980)	(90.329)	(88.352)
AVAILABLE OR (GAP) TO BE SOLVED	-	-	-	-	-	-	-
* Inflation:		1.95%	2.27%	2.56%	2.85%	2.85%	2.85%

Note:
(1) FY19 and FY20 APPROP equals new appropriation authority. Additional current revenue funded appropriations will require drawing on operating fund balances.

M-NCPPC BOND ADJUSTMENT CHART

FY19-24 Amended Capital Improvements Program
County Executive Recommended
January 15, 2019

($ millions)	6 YEARS	FY19	FY20	FY21	FY22	FY23	FY24
BONDS PLANNED FOR ISSUE Plus PAYGO funded	39.000	6.500	6.500	6.500	6.500	6.500	6.500
Adjust for Future Inflation *	(1.523)	-	-	(0.143)	(0.296)	(0.458)	(0.627)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	37.477	6.500	6.500	6.357	6.204	6.042	5.873
Less Set Aside: Future Projects	0.046 0.1%	0.003	0.003	0.010	0.010	0.010	0.010
TOTAL FUNDS AVAILABLE FOR PROGRAMMI	37.431	6.497	6.497	6.347	6.194	6.032	5.863
Programmed P&P Bond Expenditures	(37.430)	(6.497)	(6.497)	(6.347)	(6.191)	(6.031)	(5.867)
Programming adjustment - unspent prior years		-	-	-	-	-	-
SUBTOTAL PROGRAMMED EXPENDITURES	(37.430)	(6.497)	(6.497)	(6.347)	(6.191)	(6.031)	(5.867)
AVAILABLE OR (GAP) TO BE SOLVED	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NOTES:

* Inflation did not change from the FY19-24 Approved CIP to avoid reducing FY21-24 capacity below the prior approved spending levels.

Inflation =		1.95%	2.07%	2.20%	2.30%	2.38%	2.43%

M-NCPPC BOND ADJUSTMENT CHART

FY19-24 Amended Capital Improvements Program
County Executive Recommended
January 15, 2019

($ millions)	6 YEARS	FY19	FY20	FY21	FY22	FY23	FY24
BONDS PLANNED FOR ISSUE Plus PAYGO funded	39.500	6.500	6.500	6.600	6.600	6.600	6.700
Adjust for Future Inflation	(1.867)	-	-	(0.169)	(0.362)	(0.560)	(0.776)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	37.633	6.500	6.500	6.431	6.238	6.040	5.924
Less Set Aside: Future Projects	0.203 0.5%	0.003	0.003	0.084	0.047	0.009	0.057
TOTAL FUNDS AVAILABLE FOR PROGRAMMI	37.430	6.497	6.497	6.347	6.191	6.031	5.867
Programmed P&P Bond Expenditures	(37.430)	(6.497)	(6.497)	(6.347)	(6.191)	(6.031)	(5.867)
SUBTOTAL PROGRAMMED EXPENDITURES	(37.430)	(6.497)	(6.497)	(6.347)	(6.191)	(6.031)	(5.867)
AVAILABLE OR (GAP) TO BE SOLVED	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NOTES:

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

		FY19	FY20	FY21	FY22	FY23	FY24
Inflation =		1.95%	2.27%	2.56%	2.85%	2.85%	2.85%