



Committee: GO
Committee Review: At a future date
Staff: Gene Smith, Legislative Analyst
Purpose: To introduce agenda item – no vote expected
Keywords: SAG, Capital Budget

AGENDA ITEM #4A
September 14, 2021
Introduction

SUBJECT

Spending Affordability Guidelines for the FY23 Capital Budget and the FY23-FY28 Capital Improvements Program

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

N/A

DESCRIPTION/ISSUE

The Council must adopt spending affordability guidelines for the aggregate capital budget by the first Tuesday in October of every odd calendar year. These guidelines limit certain types of debt that may be programed for expenditures in the capital improvements program (CIP). These guidelines also set the Council's voting thresholds for the Capital Budget each year. By evaluating and setting appropriate debt levels every two years, the Council preserves the County's fiscal health and manages the amount of general funds required for debt service.

SUMMARY OF KEY DISCUSSION POINTS

- Sections 20-55 through 20-58 of the County Code describe the guidelines for the aggregate capital budget and the Council's process for setting those guidelines (see ©1-2).
- County law requires that the Council adopt six guidelines for the aggregate capital budget. Those guidelines are:
 1. The total general obligation debt that may be planned for expenditure in the first fiscal year of the CIP;
 2. The total general obligation debt that may be planned for expenditure in the second fiscal year of the CIP;
 3. The total general obligation debt that may be approved under the six-year CIP;
 4. The total debt issued by the Maryland-National Capital Park and Planning Commission (M-NCPPC) that may be planned for expenditure in the first fiscal year of the CIP;
 5. The total debt issued by M-NCPPC that may be planned for expenditure in the second fiscal year of the CIP; and
 6. The total dept issued by M-NCPPC that may be approved under the six-year CIP.

- The Council considers several fiscal and economic factors to determine what is affordable by the County and its residents (see ©2) before adopting the guidelines.
- Like prior years, the proposed resolution on ©3-4 is a continuation of the previous guidelines set by the Council in the FY21-FY26 CIP. These guidelines are the starting point for the Council's review.
- The public hearing on the proposed guidelines is tentatively scheduled for Tuesday, September 21, 2021, at 1:30 PM. The Government Operations and Fiscal Policy Committee is tentatively scheduled to review the indicators and recommend the guidelines on Thursday, September 30, 2021. The Council must adopt the guidelines by October 5, 2021.

This report contains:

Sections 20-55 through 20-58 of the County Code
Proposed resolution

©1-2
©3-4

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Article X. Spending Affordability-Capital Budgets. [Note]

Notes

[Note] ***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.

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.)

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.)

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Spending Affordability Guidelines for the FY 2023 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 County Charter, which voters approved in November 1990. This procedure was amended by Emergency Bill 31-97 to reflect the biennial capital improvements program (CIP) process required by the amendment to Section 302 of the County Charter which voters approved in November 1996.
2. Section 20-56 of the County Code requires that the Council set six guidelines for the aggregate capital budget.
3. The County Code requires a public hearing, lists several economic and financial factors that should be considered before the Council adopts guidelines, and requires that the Council adopt these guidelines by resolution no later than the first Tuesday in October of odd-numbered years.
4. Notice of a public hearing was given and a public hearing was held on September 21, 2021.
5. The guidelines reflect adjustments for unprogrammed projects, inflation, and for funds unspent in prior years.

Action

The County Council for Montgomery County approves the following resolution:

The County Council sets the following guidelines for the Fiscal Year 2023 aggregate capital budget:

	Spending Affordability Guideline	Amount
1.	The total general obligation bond debt issued by the County that may be planned for expenditure in Fiscal Year 2023;	\$300 million
2.	The total general obligation bond debt issued by the County that may be planned for expenditure in Fiscal Year 2024;	\$290 million
3.	The total general obligation bond debt issued by the County that may be approved for the capital improvements program for fiscal years 2023-2028;	\$1,680 million
4.	The total debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in Fiscal Year 2023;	\$6.6 million
5.	The total debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in Fiscal Year 2024; and	\$6.7 million
6.	The total debt, except refunding bonds, issued by the Maryland-National Capital Park and Planning Commission that may be approved for the capital improvements program for fiscal years 2023-2028.	\$40.3 million

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council