



# DEBT SERVICE DRIVER, RESERVES V. LIQUIDITY AND COUNTY CREDIT RATING

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# AGENDA

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Debt Service Drivers

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Debt Service Analysis

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Reserves versus Liquidity

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Bond Ratings



# Debt Service Drivers

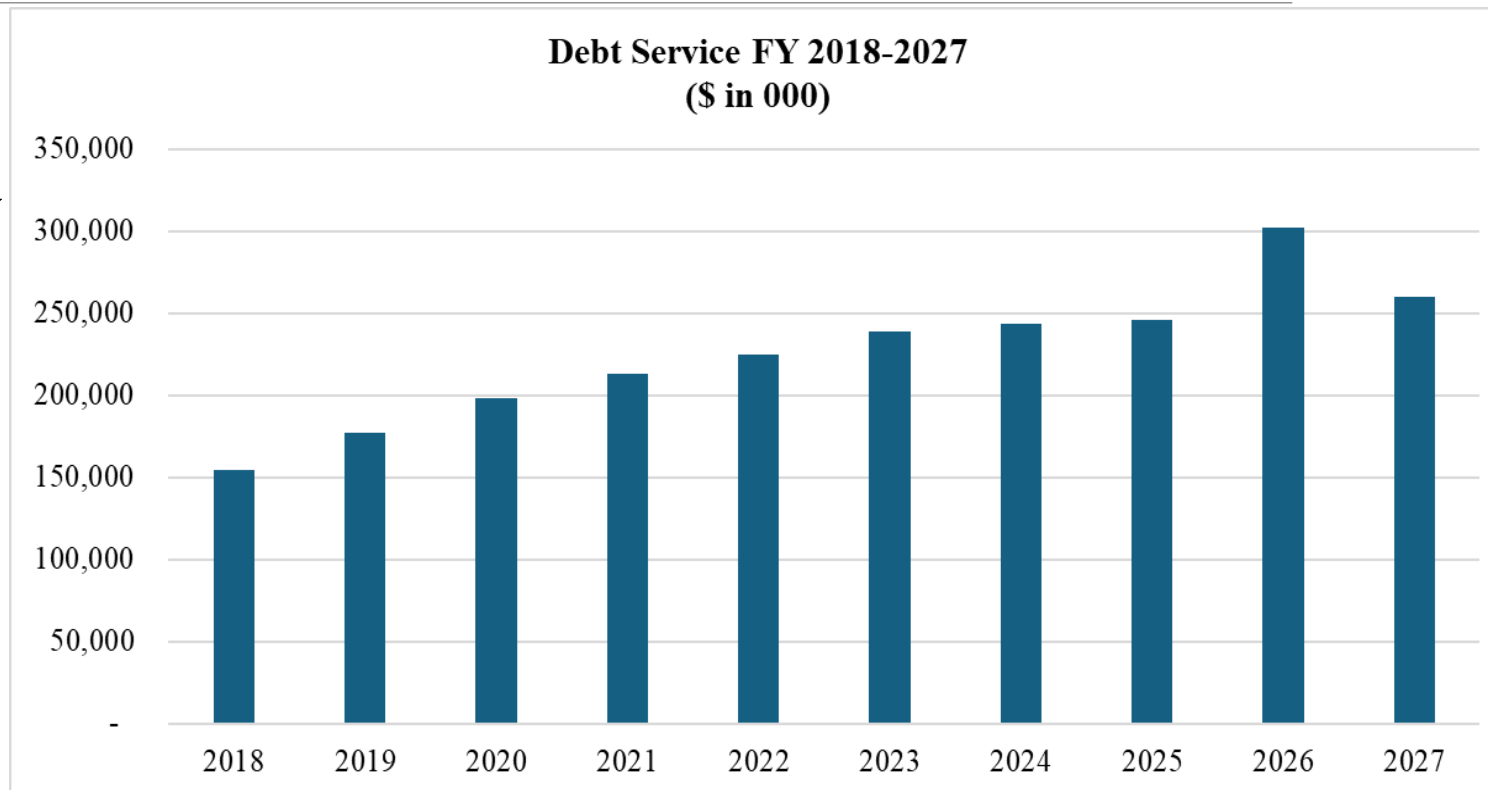
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**DEBT SERVICE REPRESENTS THE ANNUAL COST OF PAYING PRINCIPAL AND INTEREST ON THE COUNTY'S OUTSTANDING BONDS.**



# Debt Service Drivers

- Prince George’s County issues General Obligation bonds backed by the Full Faith and Credit of the County (i.e., debt service will be repaid from the General Fund).
- Debt service has grown an average of 6% annually from FY 2018-FY 2027 (proposed).



# What Drives the Size of Annual Debt Payments?

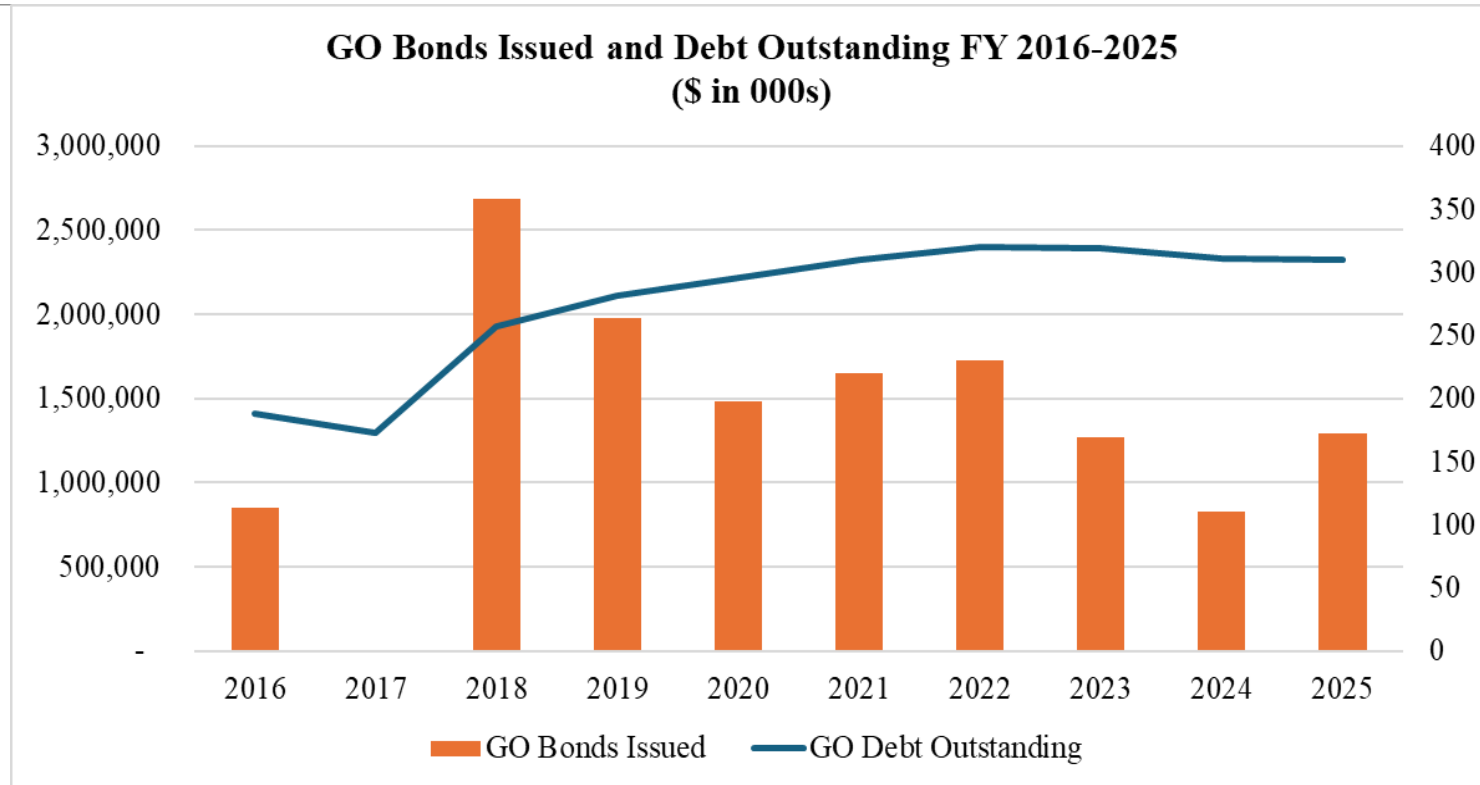
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- Capital Program Size – the larger the County’s Capital Improvement Program (CIP), the more borrowing is required.
- Interest Rates – determines how expensive borrowing becomes.
- Debt Structure – How we structure bonds also affects payments (length of payment – 20 vs 30 years); fixed vs variable interest rates; timing of bond issuance.



# GO Debt Issuance & Debt Outstanding

- Debt service is a function of the amount of GO debt issued annually in support of the annual capital program and the term of the bonds, which increase the overall level of debt outstanding.
- The issuance of over \$600 million in GO bonds in FY 2018 has been a large driver in growth in debt service costs.



# Current G/O Bonds w/Maturity Dates

Series ID	Series Name	Status	Bond Size	Last Maturity Date	Debt Cat. Descr.	Debt Type Description
1000014	G16A	Issued	115,800,000.00	07/01/2036	General Series	General Obligation
1000015	G16B	Issued	58,350,000.00	07/15/2028	General Series	General Obligation
1000012	G13C	Issued	198,150,000.00	08/01/2033	General Series	General Obligation
1000001	G13A	Issued	122,870,000.00	03/01/2033	General Series	General Obligation
1000002	G13B	Issued	187,835,000.00	03/01/2028	General Series	General Obligation
1000003	G14A	Issued	205,185,000.00	09/01/2034	General Series	General Obligation
1000006	G10A	Issued	24,675,000.00	09/15/2020	General Series	General Obligation
1000005	G11A	Issued	31,000,000.00	09/15/2021	General Series	General Obligation
1000010	G11B	Issued	115,450,000.00	09/15/2024	General Series	General Obligation
1000019	GBAB09A	Planning	13,450,000.00	09/15/2019	General Series	General Obligation
1000009	GTBA09B	Issued	36,850,000.00	09/15/2029	General Series	General Obligation
1000007	GTBA10B	Issued	51,515,000.00	09/15/2030	General Series	General Obligation
1000011	GS09B	Issued	2,645,000.00	12/15/2024	General Series	General Obligation
1000004	G17A	Issued	366,460,000.00	09/15/2037	General Series	General Obligation
1000016	G17B	Issued	104,965,000.00	07/15/2031	General Series	General Obligation
1000017	G18A	Issued	416,755,000.00	07/15/2038	General Series	General Obligation
1000018	G19A	Issued	329,150,000.00	07/15/2039	General Series	General Obligation
1000020	G20A	Issued	251,830,000.00	07/15/2040	General Series	General Obligation
1000021	G20B	Issued	64,200,000.00	09/15/2032	General Series	General Obligation
1000022	G20C	Issued	120,005,000.00	09/15/2033	General Series	General Obligation
1000023	G21A	Issued	271,665,000.00	07/01/2041	General Series	General Obligation
1000024	G22A	Reversed	273,610,000.00	07/01/2042	General Series	General Obligation
1000029	G22A1	Issued	273,610,000.00	07/01/2042	General Series	General Obligation
1000030	G23A	Issued	193,735,000.00	08/01/2043	General Series	General Obligation
1000031	G23AR	Issued	29,820,000.00	08/01/2025	General Series	General Obligation
1000032	G24A	Issued	182,335,000.00	08/01/2044	General Series	General Obligation
1000033	G24B	Issued	97,130,000.00	09/01/2034	General Series	General Obligation
1000034	G25A	Issued	239,300,000.00	08/01/2045	General Series	General Obligation



# POLICY LIMITS

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- DEBT SERVICE AS A PERCENTAGE OF OPERATING EXPENDITURES. THE COUNTY'S POLICY LIMIT IS 8%



# Reserves vs Liquidity

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- Reserves are budgetary savings set aside for emergencies for economic downturns. (think of this as the County's financial safety net).
- Reserves protect from (economic downturns, revenue volatility, natural disasters, or unexpected expenditures).
- Liquidity refers to how quickly the County can access cash to pay immediate obligations. It measures cash balances, short-term investments, and timing of revenue collections.



# Reserves

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- Reserves are budgetary amounts set aside as part of the General Fund balance for emergencies for economic downturns. (think of this as the County's financial safety net).
- Reserves protect from (economic downturns, revenue volatility, natural disasters, or unexpected expenditures).
- At 10% of general fund spending in reserve, Prince George's County compares favorably to other AAA rated Counties in Maryland.



# General Fund Reserves & Fund Balance

General Fund Balance	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual
Operating reserve (a.k.a. “policy reserve”)	86.0 M	86.0 M	136.8 M	189.2 M
Rainy Day Fund (a.k.a. “charter reserve” or “economic stabilization”)	214.9 M	214.9 M	228.0 M	236.5 M
Unassigned	337.0 M	407.6 M	358.5 M	338.6 M
<b>Total GF Fund Balance per Budget Book</b>	<b>\$ 637.9 M</b>	<b>\$ 708.5 M</b>	<b>\$ 723.4 M</b>	<b>\$ 683.4 M</b>
Source:	Source: <a href="#">FY2024 Approved Operating Budget Book, Budget Overview section, page 65</a>	Source: <a href="#">FY2025 Approved Operating Budget Book, Budget Overview section, page 64</a>	Source: <a href="#">FY2026 Proposed Operating Budget Book, Budget Overview section, page 64</a>	Source: <a href="#">FY2027 Proposed Operating Budget Book, Budget Overview section, page 64</a>



# Liquidity

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- Moody's measures liquidity as the ratio of balances to revenues for general funds, internal service funds, and enterprise funds. It refers to cash available to pay immediate obligations. It includes cash balances, short-term investments, and revenue collections.
- Moody's downgraded Prince George's County's GO bond sale in 2025 from AAA to AA+ due to lower liquidity levels compared to the debt medians for other AAA-rated Counties with populations over 250,000. Using the FY 2024 ACFR, Moody's calculated the County's liquidity at 20.3%.



# Debt Medians - Liquidity

- According to the Moody's calculation of liquidity, Prince George's County is comparable to other Counties with an A bond rating, but the rating agencies take other factors into consideration which raised the rating to AA+.

Medians by Rating-US Counties with Population over			
	AAA	AA	A
Available Fund Balance Ratio	46.8%	32.8%	24.8%



# Bond Ratings

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- Moody's Global, S&P Global Ratings, and Fitch Ratings rate the County's bonds based on the level of risk that the bonds will not be repaid. Ratings range from the highest rating of AAA to BBB/Baa.
- Higher rated bonds have lower risk and thus receive lower interest rates when sold. Lower rated bonds have higher interest rates when sold, reflecting higher risk of non-payment.
- The 3 rating agencies consider a variety of factors when assigning ratings, including debt outstanding, the level of reserves, revenue limits, long-term planning processes, economic factors, and others. The rating agencies do not disclose which factors are used or how they are weighted.



# Conclusion

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- When these elements work together, the County is positioned not just to manage today's needs—but to remain financially resilient for decades to come.



# Questions

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