

## **NEW ISSUE-DTC BOOK-ENTRY ONLY**

### **DAC Bond**

*In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the County on the date of delivery of the 2019A Bonds, and subject to the conditions stated herein under "Tax Matters," under existing law, (a) the interest on the 2019A Bonds is excluded from gross income for federal income tax purposes, and (b) the interest on the 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the opinion of Bond Counsel, interest on the Series 2019B Bonds will be includable in gross income for federal income tax purposes. As described herein under "Tax Matters," other federal income tax consequences may arise from ownership of the Bonds. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds and the profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions, but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income therefrom. See "Tax Matters" herein.*



**\$136,260,000**

**FREDERICK COUNTY, MARYLAND**

**\$106,245,000 General Obligation Public Facilities Bonds, Series 2019A**

**\$30,015,000 General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B**

**Dated: Date of Delivery**

**Due: August 1, shown on inside cover**

Bond Ratings

Fitch Ratings: AAA

Moody's: Aaa

Standard & Poor's: AAA

Redemption

Bonds maturing on or after August 1, 2030, are redeemable in whole or in part, on or after August 1, 2029.

Security

General Obligations of Frederick County, Maryland

Purpose

The 2019A Bonds are being issued by the County for the purpose of (i) financing certain capital projects of the County's Capital Improvement Program and (ii) paying costs of issuance related thereto. The 2019B Bonds are being issued by the County for the purpose of (i) advance refunding outstanding bonds of the County and (ii) paying costs of issuance related thereto.

Interest Payment Dates

February 1 and August 1, beginning February 1, 2020

Closing/Settlement

On or about September 24, 2019

Denominations

\$5,000

Book-Entry Only Form

The Depository Trust Company, New York, NY

Paying Agent/Registrar/Escrow Agent

Manufacturers and Traders Trust Company, Baltimore, MD

Bond Counsel

Venable LLP, Baltimore, MD

Financial Advisor

Davenport & Company LLC, Towson, MD

Issuer Contact

Frederick County Director of Finance: (301) 600-1753

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Venable LLP, Baltimore, Maryland, Bond Counsel. The date of this Official Statement is September 10, 2019 and the information contained herein speaks only as of that date.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

**\$106,245,000 General Obligation Public Facilities Bonds, Series 2019A**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS**

<b>Maturing August 1</b>	<b>Principal Amount</b>	<b>Interest Rate*</b>	<b>Price or Yield*</b>	<b>CUSIP</b>	<b>Maturing August 1</b>	<b>Principal Amount</b>	<b>Interest Rate*</b>	<b>Price or Yield*</b>	<b>CUSIP</b>
2020.....	\$3,360,000	5.000%	1.060%	35569PEG4	2030 .....	\$5,540,000	5.000%	1.420%†	35569PES8
2021.....	3,530,000	5.000	1.070	35569PEH2	2031 .....	5,765,000	3.000	1.920†	35569PET6
2022.....	3,715,000	5.000	1.080	35569PEJ8	2032 .....	5,970,000	4.000	1.710†	35569PEU3
2023.....	3,905,000	5.000	1.100	35569PEK5	2033 .....	6,160,000	2.250	2.360	35569PEV1
2024.....	4,105,000	5.000	1.110	35569PEL3	2034 .....	6,305,000	2.375	2.430	35569PEW9
2025.....	4,315,000	5.000	1.130	35569PEM1	2035 .....	6,460,000	2.500	2.500	35569PEX7
2026.....	4,535,000	5.000	1.170	35569PEN9	2036 .....	6,625,000	2.500	2.560	35569PEY5
2027.....	4,770,000	5.000	1.220	35569PEP4	2037 .....	6,790,000	2.500	2.610	35569PEZ2
2028.....	5,015,000	5.000	1.300	35569PEQ2	2038 .....	6,965,000	2.625	2.660	35569PFA6
2029.....	5,270,000	5.000	1.360	35569PER0	2039 .....	7,145,000	2.625	2.710	35569PFB4

**\$30,015,000 General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B**

<b>Maturing August 1</b>	<b>Principal Amount</b>	<b>Interest Rate**</b>	<b>Price or Yield**</b>	<b>CUSIP</b>	<b>Maturing August 1</b>	<b>Principal Amount</b>	<b>Interest Rate**</b>	<b>Price or Yield**</b>	<b>CUSIP</b>
2022.....	\$55,000	3.000%	1.70%	35569PFD0	2029 .....	\$4,225,000	2.000%	2.190%	35569PFL2
2023.....	125,000	3.000	1.710	35569PFE8	2030 .....	4,320,000	2.125	2.240	35569PFM0
2024.....	1,755,000	3.000	1.760	35569PFF5	2031 .....	2,305,000	2.125	2.290	35569PFN8
2025.....	1,830,000	3.000	2.040	35569PFG3	2032 .....	2,350,000	2.250	2.340	35569PPF3
2026.....	1,995,000	3.000	2.070	35569PFH1	2033 .....	2,410,000	2.250	2.390	35569PFQ1
2027.....	2,065,000	3.000	2.090	35569PJ7	2034 .....	2,465,000	2.375	2.440	35569PFR9
2028.....	4,115,000	3.000	2.140	35569PK4					

† Priced to call date.

\*The interest rates and prices or yields shown above are the interest rates payable by the County resulting from the successful bid for the 2019A Bonds on September 10, 2019. The interest rates and prices or yields shown above are furnished by Raymond James & Associates, Inc. (the "Successful 2019A Bidder"). Other information concerning the terms of reoffering of the 2019A Bonds, if any, should be obtained from the Successful 2019A Bidder and not from the County (see "SALE AT COMPETITIVE BIDDING" herein).

\*\*The interest rates and prices or yields shown above are the interest rates payable by the County resulting from the successful bid for the 2019B Bonds on September 10, 2019. The interest rates and prices or yields shown above are furnished by Raymond James & Associates, Inc. (the "Successful 2019B Bidder"). Other information concerning the terms of reoffering of the 2019B Bonds, if any, should be obtained from the Successful 2019B Bidder and not from the County (see "SALE AT COMPETITIVE BIDDING" herein).

CUSIP (Committee on Uniform Securities Identification Procedures) data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association ("ABA") by S&P Global Market Intelligence. "CUSIP" is a registered trademark of the ABA. CUSIP numbers are included solely for the convenience of the holders of the Bonds. Neither the County nor the Underwriter take any responsibility for the accuracy of CUSIP information. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds in certain circumstances. The County has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth herein. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

**FREDERICK COUNTY, MARYLAND  
OFFICIAL ROSTER OF COUNTY OFFICIALS**

**COUNTY EXECUTIVE**

**Jan H. Gardner**

**COUNTY COUNCIL**

**M.C. Keegan-Ayer, President  
Michael Blue, Vice President  
Phil Dacey  
Jerry Donald  
Jessica Fitzwater  
Kai Hagen  
Steve McKay**

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**CERTAIN APPOINTED AND MANAGERIAL OFFICIALS**

**Richard P. Harcum**  
Chief Administrative Officer

**Lori L. Depies, CPA**  
Director, Finance Division

**Steven C. Horn**  
Director, Planning & Permitting Division

**Helen V. Propheter**  
Director, Office of Economic Development

**John S. Mathias**  
County Attorney

**Charles F. Nipe**  
Director, Public Works Division

**Kevin L. Demosky**  
Director, Utilities and Solid Waste Management Division

**Kelly M. Weaver**  
Director, Budget

**BOND COUNSEL**  
Venable LLP  
Baltimore, Maryland

**FINANCIAL ADVISOR**  
Davenport & Company LLC  
Towson, Maryland

**COUNTY AUDITOR**  
SB & Company  
Hunt Valley, Maryland

**PAYING AGENT, BOND REGISTRAR  
AND ESCROW AGENT**  
Manufacturers and Traders Trust Company  
Baltimore, Maryland

**VERIFICATION AGENT**  
Bingham Arbitrage Rebate Services Incorporated  
Richmond, Virginia

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No dealer, broker, salesman, or other person has been authorized by the County or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are deemed to be reliable but it is not to be construed as a representation by the County as to information from sources other than the County.

**This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.**

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given on the date hereof.

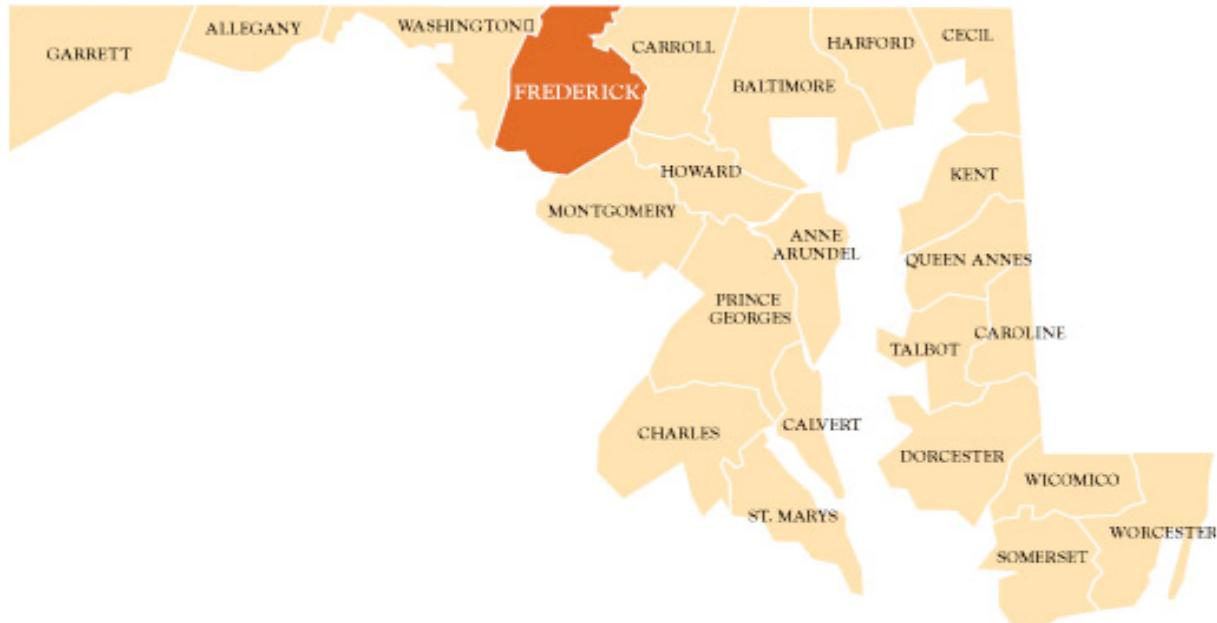
Figures used in this Official Statement relating to tax collections, assessed value of property and the financial position of the County have been taken from official records of the County.

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## LOCATION

The County is located in the north central part of the State of Maryland, 245 miles from New York City, 150 miles from Philadelphia, 45 miles from Baltimore, and 45 miles from Washington, D.C.



## OFFICIAL STATEMENT

**\$136,260,000**

### FREDERICK COUNTY, MARYLAND

**\$106,245,000 General Obligation Public Facilities Bonds, Series 2019A**

**\$30,015,000 General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B**

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### INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page and Appendices hereto, is to set forth certain information in connection with the issuance and sale by Frederick County, Maryland (the “County”) and the \$106,245,000 General Obligation Public Facilities Bonds, Series 2019A (the “2019A Bonds”) and \$30,015,000 General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B (the “2019B Bonds” and, together with the 2019A Bonds, the “Bonds”). However, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

The material and information contained in this Official Statement have been provided by the County and the execution and distribution of this Official Statement have been authorized and approved by the County.

Frederick County, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland and is 664 square miles in area. The County is bordered on the north by Pennsylvania, on the west by Washington County, on the east by Howard and Carroll Counties, and on the south by Montgomery County and Virginia. The estimated population of the County as of July 1, 2018 is 255,648.

There are 12 incorporated towns within the County. The County seat and largest city is the City of Frederick, which has an estimated population of 72,481 as of July 1, 2018. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

The County is a body politic and corporate and a political subdivision of the State of Maryland (the “State”), and is a “charter county” under the Maryland Constitution. As a charter county, the County has significant home rule powers, including the powers to enact local laws, to levy and collect taxes and assessments, and to incur debt. See “COUNTY GOVERNMENT AND ADMINISTRATION” below.

The executive offices of the County are located at Winchester Hall, 12 East Church Street, Frederick, Maryland. The County’s central telephone number is (301) 600-1100 and the County’s website is [www.frederickcountymd.gov](http://www.frederickcountymd.gov).

Any questions regarding this Official Statement or the Bonds should be directed to the Director of Finance, Frederick County, Maryland, Winchester Hall, 12 East Church Street, Frederick, Maryland 21701, telephone number (301) 600-1753.

### THE BONDS

#### General

The Bonds will be dated with the date of their delivery and will bear interest at the rates and mature in the amounts and at the times set forth on the inside front cover page hereof.

Interest on the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable semiannually on February 1 and August 1, commencing February 1, 2020, until the principal amount is paid.

Interest on the Bonds shall be payable to the person in whose name such Bond is registered on the registration books for the Bonds as of the 30th calendar day of the month immediately preceding each interest payment date.

The Bonds will be issued in fully-registered form without coupons and will be issued in denominations of \$5,000 and integral multiples thereof. The Bonds initially will be issued in book-entry form without any physical distribution of certificates made to the public. The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds and the Bonds will be registered in the name of DTC’s partnership nominee, Cede & Co. (See “DTC and Book-Entry Only System” below).

So long as the Bonds are maintained in book-entry form, payments of principal, premium and interest on the Bonds will be made as described below under “DTC and Book-Entry Only System.” At any other time, the principal amount of and premium, if any, on the Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Baltimore, Maryland (the “Paying Agent” and “Bond Registrar”). Interest on the Bonds will be payable by check of the Paying Agent mailed to the registered owners thereof. The principal of, premium, if any, and interest on the Bonds will be paid in lawful money of the United States of America in the manner and at the places hereinabove described.

*The Bonds will be valid and legally binding general obligations of the County, to which the full faith and credit and unlimited taxing power of the County will be pledged. They are not guaranteed by the State of Maryland or any other entity. Security for the Bonds is more fully described herein under “THE BONDS - Security for the Bonds”.*

#### **Authorization**

**2019A Bonds.** The 2019A Bonds are issued pursuant to the authority of Chapter 54 of the Laws of Maryland of 2012 (the “2012 Act”), Bill No. 17-03, enacted by the Frederick County Council on April 4, 2017 (the “2017 Act”), Section 10-203 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Bond Act”), Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended (the “Water and Sewer Act”), Section 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (the “Education Act” and, together with the 2012 Act, the 2017 Act, the Bond Act and the Water and Sewer Act, the “New Money Acts”) and in accordance with Resolution No. 19-22 adopted by the Frederick County Council (the “County Council”) on July 16, 2019 (the “New Money Resolution”). See “CERTAIN DEBT INFORMATION – Bond Indebtedness of the County” below.

**2019B Bonds.** The 2019B Bonds are issued pursuant to the authority of Chapter 382 of the Laws of Maryland of 2007, as amended (the “2007 Act”), the 2012 Act, and Section 19-207 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Refunding Statute” and, together with the 2007 Act and the 2012 Act, the “Refunding Acts”; the New Money Acts and the Refunding Acts are sometimes referred to collectively herein as the “Acts”), and in accordance with Resolution No. 19-19 adopted by the County Council on September 3, 2019 (the “Refunding Resolution” and, together with the New Money Resolution, the “Resolution”).

#### **Security for the Bonds**

The Acts provide that the Bonds constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become payable. The Acts further provide, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of the County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all such Bonds maturing in each such fiscal year and, if the proceeds from the taxes so levied in such fiscal year prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any deficiency.

The Acts further provide that the County may apply to the payment of the principal of and interest on any Bonds any funds received by it from the State, the United States of America, or any agency or instrumentality of either, or from any other source. If such funds are available for the purpose of assisting the County in financing the construction of the public facilities as defined in the Acts, and, to the extent of any such funds received or receivable in any fiscal year, taxes that might otherwise be required to be levied under the Acts may be reduced or need not be levied.

Indebtedness of the County presently outstanding and the County’s authority to issue future debt are described herein under “CERTAIN DEBT INFORMATION”.

#### **DTC and Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments

(from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC. The current "Rules" applicable to DTC and its Participants are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC. The information under this heading concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable. No representation is made by the Bond Registrar and Paying Agent or the County as to, and the Bond Registrar and Paying Agent and the County take no responsibility for, the completeness or the accuracy of such information or the absence of material adverse changes in such information subsequent to the date of this Official Statement.

*So long as Cede & Co., or any successor thereto, is the registered owner of the Bonds, as DTC's partnership nominee, references herein to the Bond holders or registered owners of the Bonds shall mean DTC and shall not mean the Beneficial Owners of the Bonds. During such period, the Bond Registrar and Paying Agent and the County will recognize DTC or its partnership nominee as the owner of all of the Bonds for all purposes, including the payment of the principal of, redemption premium, if any, and interest on the Bonds, as well as the giving of notices and voting.*

NEITHER THE COUNTY NOR THE BOND REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF THE BONDS WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BONDOWNERS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

### **Application of Proceeds of the Bonds**

**2019A Bonds.** The 2019A Bonds are being issued to pay a portion of the costs of financing indebtedness, reimbursing expenditures incurred for certain authorized capital projects of the County, and to pay related costs of issuance.

The breakdown of amounts to be financed with the proceeds of the 2019A Bonds generally include:

#### **Sources of Funds:**

Par Amount of Series 2019A Bonds.....	\$ 106,245,000.00
Net Original Issue Premium.....	<u>12,034,708.40</u>
Total Sources of Funds.....	<u>\$ 118,279,708.40</u>

#### **Uses of Funds:**

Capital Projects:	
Public Schools (K-12).....	\$ 28,851,300.00
General Government.....	45,825,687.00
Roads and Bridges.....	32,283,041.00
Water/Sewer.....	8,567,341.00
Community College.....	<u>2,142,631.00</u>
Total Capital Project Funding	\$117,670,000.00

Costs of Issuance/Underwriter's Discount..... 609,708.40

**TOTAL 2019A BOND PROCEEDS..... \$ 118,279,708.40**

**2019B Bonds.** The proceeds of the 2019B Bonds, less the proceeds to be used to pay costs of issuance, will be applied to the purchase of non-callable direct obligations of or obligations the principal of and interest on which are guaranteed by the United States of America (“Government Obligations”). The Government Obligations will be held in trust in an escrow deposit fund (“Escrow Deposit Fund”) by Manufacturers and Traders Trust Company (the “Escrow Agent”) pursuant to an escrow deposit agreement between the Escrow Agent and the County. The Government Obligations will mature at such times and in such amounts, and will bear interest payable at such times and in such amounts so that sufficient money will be available to pay when due, all principal of and premium, if any, and interest on certain outstanding bonds of the County (as more fully described in Exhibit F hereto, the “Refunded Bonds”) to and including their respective dates of maturity or redemption (See “VERIFICATION OF MATHEMATICAL COMPUTATIONS”). The Escrow Agent will apply the maturing principal of and the interest on the Government Obligations to the payment of the interest on the Refunded Bonds prior to their respective maturity or redemption dates and has been irrevocably instructed to redeem the Refunded Bonds at the earliest respective redemption dates at a price equal to the principal amount thereof plus any applicable premium and accrued interest. The Government Obligations will be pledged only to the payment of the principal of, premium, if any, and interest on the Refunded Bonds, and are not available for the payment of principal of or interest on the Bonds.

The breakdown of amounts to be financed with the proceeds of the 2019B Bonds generally include:

**Sources:**

Par Amount of 2019B Bonds.....	\$30,015,000.00
Premium .....	<u>501,585.90</u>
Total Sources of 2019B Funds .....	<u><u>\$30,516,585.90</u></u>

**Uses:**

Deposit to Advanced Refunding Escrow Fund.....	\$30,219,519.69
Costs of Issuance/Underwriter's Discount .....	<u>297,066.21</u>
Total Uses of 2019B Funds .....	<u><u>\$30,516,585.90</u></u>

## Redemption

**Optional Redemption of Bonds.** The Bonds maturing on or after August 1, 2030 shall be subject to redemption prior to their respective maturities, at the option of the County, at any time on or after August 1, 2029, either as a whole or in part, but only upon payment of a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption.

If less than all of the outstanding Bonds are called for redemption, the County shall choose the maturities of the Bonds to be redeemed and the principal amount of each maturity to be redeemed, in its sole discretion; and if less than all of the Bonds of any one maturity are called for redemption, the particular Bonds to be redeemed from such maturity shall be selected by lot by the Registrar, except that so long as The Depository Trust Company (“DTC”) or its nominee is the sole registered owner of the Bonds, the particular Bonds or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate Bond in the selection by lot of Bonds to be redeemed.

In case part but not all of a Bond shall be selected for redemption, then, upon the surrender thereof, there shall be issued without charge to the registered owner thereof a Bond or Bonds in any authorized denomination as specified by the registered owner. The aggregate principal amount of the Bond or Bonds so issued shall be equal to the unredeemed balance of the principal amount of the Bond surrendered.

If the County elects to redeem all or a portion of the Bonds outstanding, a redemption notice as prescribed in the Resolution shall be mailed by the Bond Registrar, on behalf of the County, not less than 30 days prior to the date fixed for redemption, postage prepaid, to the registered owners of the Bonds to be redeemed by first-class mail at their last addresses appearing on the registration books maintained by the Bond Registrar; provided, however, that the failure to mail such notice with respect to a particular Bond to be redeemed or any defect in such notice, or in the mailing thereof, shall not affect the sufficiency of the redemption of any other Bond. So long as DTC or its nominee is the sole registered owner of the Bonds, any redemption notice shall be given to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail or overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on such 30th day. From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price of the Bonds called for redemption are held by the Bond Registrar on such date, the Bonds so called for redemption shall become due and payable at the redemption price provided for the redemption of such Bonds on such date, interest on Bonds shall cease to accrue and the registered owners of such Bonds so called for redemption shall have

no rights in respect thereof expect to receive payment of the redemption price thereof from such monies held by the Bond Registrar. Upon presentation and surrender of a Bond called for redemption in compliance with the redemption notice, the Bond Registrar shall pay the appropriate redemption price of such Bond. If Bonds so called for redemption are not paid upon presentation and surrender as described above, such Bonds shall continue to bear interest at the rates stated therein until paid.

## **Registration and Transfer**

So long as the Bonds are maintained in book-entry form, transfers of ownership interests will be made as described above under "DTC and Book-Entry Only System." At any other time, the Bonds will be transferable only upon the registration books kept at the principal corporate trust office of the Bond Registrar, by the registered owner thereof upon surrender thereof together with a written instrument of transfer in form attached thereto and satisfactory to the Bond Registrar and duly executed by the registered owner or his duly authorized attorney. The County may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes. Upon any such transfer or exchange, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds of any authorized denomination in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred and maturing on the same date and bearing interest at the same rate. In each case, the County and the Bond Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, and the County and the Bond Registrar may charge a sum sufficient to reimburse them for expenses incurred in connection with such exchange or transfer. The Bond Registrar shall not be required to transfer or exchange any Bond within fifteen (15) days preceding any interest payment date or after the mailing of notice calling such Bond or portion thereof for redemption as hereinafter described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

## **Bondholders' Remedies**

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds to the registered owners thereof and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no State law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of the State have jurisdiction to entertain proceedings and power to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, pari passu, subject to the inherent constitutional limitations referred to below. It is also the opinion of Bond Counsel that, while remedies would be available to bondholders and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute.

Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

## **RATINGS**

Fitch Ratings, Moody's Investors Service, Inc., and S & P Global Ratings have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. The County furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

## **LEGAL MATTERS**

### **Approval of Legal Proceedings**

The validity of the Bonds and their treatment for federal income tax purposes will be passed upon by Venable LLP, Baltimore, Maryland, Bond Counsel. The proposed forms of Bond Counsel's opinions are set forth in Appendix B to this Official Statement.

## TAX MATTERS

### Federal Income Taxation

#### *2019A Bonds*

In the opinion of Bond Counsel, under existing law, the interest on the 2019A Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax.

*Summary.* Under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), there are certain requirements that must be met subsequent to the issuance of the 2019A Bonds in order for the interest on the 2019A Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the 2019A Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the 2019A Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the County has made covenants and agreements that are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, these covenants and agreements are sufficient to meet the requirements (to the extent applicable to the 2019A Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with these covenants and agreements. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2019A Bonds from becoming includable in gross income for federal income tax purposes retroactively to the date of issue.

*Additional Consequences.* The Code imposes a branch-level tax on certain earnings and profits of foreign corporations operating branches in the United States, and such earnings and profits would include interest on the 2019A Bonds. Other federal income tax consequences may arise from ownership of the 2019A Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2019A Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the 2019A Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the 2019A Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on bonds such as the 2019A Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the 2019A Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status.

*Bond Premium.* A 2019A Bond will be considered to have been issued at a premium if, and to the extent that, the holder’s tax basis in the 2019A Bond exceeds the amount payable at maturity. The holder will be required to reduce his tax basis in the 2019A Bond for purposes of determining gain or loss upon disposition of the 2019A Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the 2019A Bonds.

*Original Issue Discount.* The initial public offering price of some of the 2019A Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a 2019A Bond over the initial public offering price (plus accrued interest from the dated date of the 2019A Bond to the date of initial delivery of the 2019A Bond) at which a substantial amount of the same maturity of the 2019A Bonds was sold constitutes original issue discount (“OID”) for federal income tax purposes. The full amount of OID will accrue over the term of a 2019A Bond in accordance with a constant yield method (using semiannual compounding) which allocates smaller portions of OID to earlier semiannual compounding periods and larger portions of OID to later semiannual compounding periods. In the case of an original or a subsequent holder of a 2019A Bond, the amount of OID which is treated as having accrued with respect to such 2019A Bond during the period that the holder has held it (a) is not included in the gross income of the holder for federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of 2019A Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of the 2019A Bonds.

Prospective purchasers of the 2019A Bonds should consider possible state and local, excise, or franchise tax consequences arising from original issue discount on the 2019A Bonds. In addition, prospective corporate purchasers of the 2019A Bonds should consider possible federal income tax consequences arising from original issue discount on the 2019A Bonds under the alternative minimum tax and the branch profits tax described above.

*IRS Examinations.* The Internal Revenue Service (the “Service”) has a program to audit state and local government bonds to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the Service does audit the 2019A Bonds, under current Service procedures, the Service will treat the County as the taxpayer and the owners of the 2019A Bonds will have only limited rights, if any, to participate in the audit process. Any action of the IRS, including but not limited to selection of the 2019A Bonds for audit, or the course or result of such an audit, or an audit of bonds presenting similar issues, may affect the market value and marketability of the 2019A Bonds. Bond Counsel’s engagement with respect to the 2019A Bonds ends with the issuance of the 2019A Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the County or owners of the 2019A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS.

*Backup Withholding.* Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt bonds, including the 2019A Bonds, are in certain cases subject to information reporting for federal income tax purposes in a manner similar to that applicable to taxable bonds. Additionally, backup withholding may apply to any such payments to any 2019A Bond holder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or substantially identical form, or to any 2019A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. These reporting and backup withholding requirements do not in and of themselves affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt bonds.

*Other Consequences.* The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete. Prospective purchasers and holders of the 2019A Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

## **2019B Bonds**

Bond Counsel is of the opinion that interest on the 2019B Bonds is includable in gross income for federal income tax purposes.

*Summary.* The following is a summary of certain of the United States Federal income tax consequences of the ownership of the 2019B Bonds as of the date hereof. Each prospective purchaser of the 2019B Bonds should consult with its own tax advisor regarding the application of United States Federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Internal Revenue Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the 2019B Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser’s specific tax circumstances that would be provided by a prospective purchaser’s own tax advisor. For example, it generally is addressed only to original purchasers of the 2019B Bonds in the initial offering that are “U.S. Holders” (as defined below), deals only with Series 2019B Bonds held as capital assets within the meaning of Section 1221 of the Code, and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as certain U.S. expatriates, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold 2019B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose “functional currency” is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of 2019B Bonds. The following discussion does not address tax considerations applicable to any investors in the 2019 Bonds other than investors that are U.S. Holders.

As used herein, a “U.S. Holder” is a beneficial owner of a 2019B Bond that for U.S. Federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), (iii) an estate the income of which is subject to United States Federal income taxation regardless of its

source or (iv) a trust if either (A) a United States court is able to exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all of the trust's substantial decisions or (B) the trust has a valid election in effect to be treated as a United States person under applicable Treasury regulations.

*Tax Status of the 2019B Bonds.* The 2019B Bonds will be treated, for Federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

*Original Issue Discount.* The initial public offering price of certain maturities of the 2019B Bonds may be less than the principal amount payable on such 2019B Bonds at maturity. Under Section 1273 of the Code, the excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these 2019B Bonds are sold constitutes original issue discount unless the amount of such excess is less than a specified de minimis amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity) in which case the original issue discount shall be treated as zero. The prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the 2019B Bonds were ultimately sold to the public. A U.S. Holder of a Series 2019B Bond having a maturity more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such 2019B Bond) the daily portion of original issue discount, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. A U.S. Holder may irrevocably elect to include in gross income all interest that accrues on a 2019B Bond using the constant yield method, subject to certain modifications.

*Bond Premium.* The initial public offering price of certain maturities of the 2019B Bonds may be greater than the principal amount payable on such 2019B Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these 2019B Bonds are sold over the principal amount payable at maturity constitutes original issue premium. The prices set forth on the inside cover page of this Official Statement may or may not reflect the prices at which a substantial amount of the 2019B Bonds were ultimately sold to the public. Under Section 171 of the Code, a holder of a 2019B Bond may elect to treat such excess as "amortizable bond premium", in which case the amount of interest required to be included in the taxpayer's income each year with respect to interest on the 2019B Bond will be reduced by the amount of amortizable bond premium allocable (based on the 2019B Bond's yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer's tax basis in the 2019B Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the Internal Revenue Service ("IRS").

*Recognition of Income Generally.* Section 451 of the Internal Revenue Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Internal Revenue Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the 2019B Bonds under the Code.

*Sale and Exchange of 2019B Bonds.* A U.S. Holder's tax basis in a 2019B Bond generally will equal its cost, increased by any market discount and original issue discount included in the U.S. Holder's income with respect to the 2019B Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the 2019B Bond. Unless a non-recognition provision of the Internal Revenue Code applies, a U.S. Holder generally will recognize gain or loss on the sale, exchange, or retirement of a 2019B Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the U.S. Holder's tax adjusted basis in the Series 2011CBond. Except to the extent described above under Market Discount, gain or loss recognized on the sale, exchange or retirement of a 2019B Bond will be capital gain or loss. In the case of a non-corporate U.S. Holder of the 2019B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the 2019B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

*Defeasance.* Defeasance of any 2019B Bond may result in a deemed retirement and reissuance of the bond, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the 2019B Bond.

*Information Reporting and Backup Withholding.* Payments on the 2019B Bonds generally will be subject to U.S. information reporting to the Internal Revenue Service and possibly to “backup withholding.” A non-corporate U.S. Holder of the 2019B Bonds may be subject to backup withholding at the current rate of 24% with respect to “reportable payments,” which include interest paid on the 2019B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2019B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required. (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” as described in the Internal Revenue Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under the Internal Revenue Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. Holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

*U.S. Holder Foreign Account Tax Compliance Act (“FATCA”).* The Internal Revenue Code imposes a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the 2019 Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including 01D) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

## **Maryland State and Local Income Tax**

In the opinion of Bond Counsel, under existing law of the State, the interest on the Bonds and the profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State or by any of its political subdivisions, but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds and regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State.

## **Legislative Changes and/or Court Decisions**

Legislation affecting obligations such as the Bonds is regularly considered by the United States Congress and may also be considered by a state legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value or marketability of the Bonds. Such adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

Accordingly, prospective purchasers of the Bonds should consult with their own financial and tax advisors as to the status and potential effect of such changes and proposals.

## COUNTY GOVERNMENT AND ADMINISTRATION

### General

Frederick County, Maryland (the “County”) is a body corporate and politic, which performs local governmental functions within the County except for those performed by its 12 incorporated municipalities. Certain independent agencies, which provide services to County residents, are funded by the County. See “Independent Agencies” under this heading.

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services; construction and maintenance of highways, streets, and infrastructure; recreational activities; permitting and zoning activities; and general government activities. The County’s sanitation services, i.e., water, sewer, and solid waste management (including residential recycling), and comprehensive care services are wholly supported through user fees; the remaining services are primarily tax-supported. Incorporated municipalities within the County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: water, sewer, solid waste management, highway and street maintenance, parks and recreation, and police protection. There have been no recent significant changes or interruptions in the provision of these services.

The County is a “charter county” under the Maryland Constitution. Prior to December 1, 2014, the County was governed under the county commissioner form of government. As a charter county, the County operates under separate legislative and executive branches of government, with the legislative power vested in an elected County Council and executive power in an elected County Executive. Charter counties have significant home rule powers, including the powers to enact local laws, to levy and collect taxes and assessments, and to incur debt.

The County Council is composed of seven members, consisting of five members elected from council districts and two at-large members. County Council members serve four-year terms, and may not serve more than three consecutive terms.

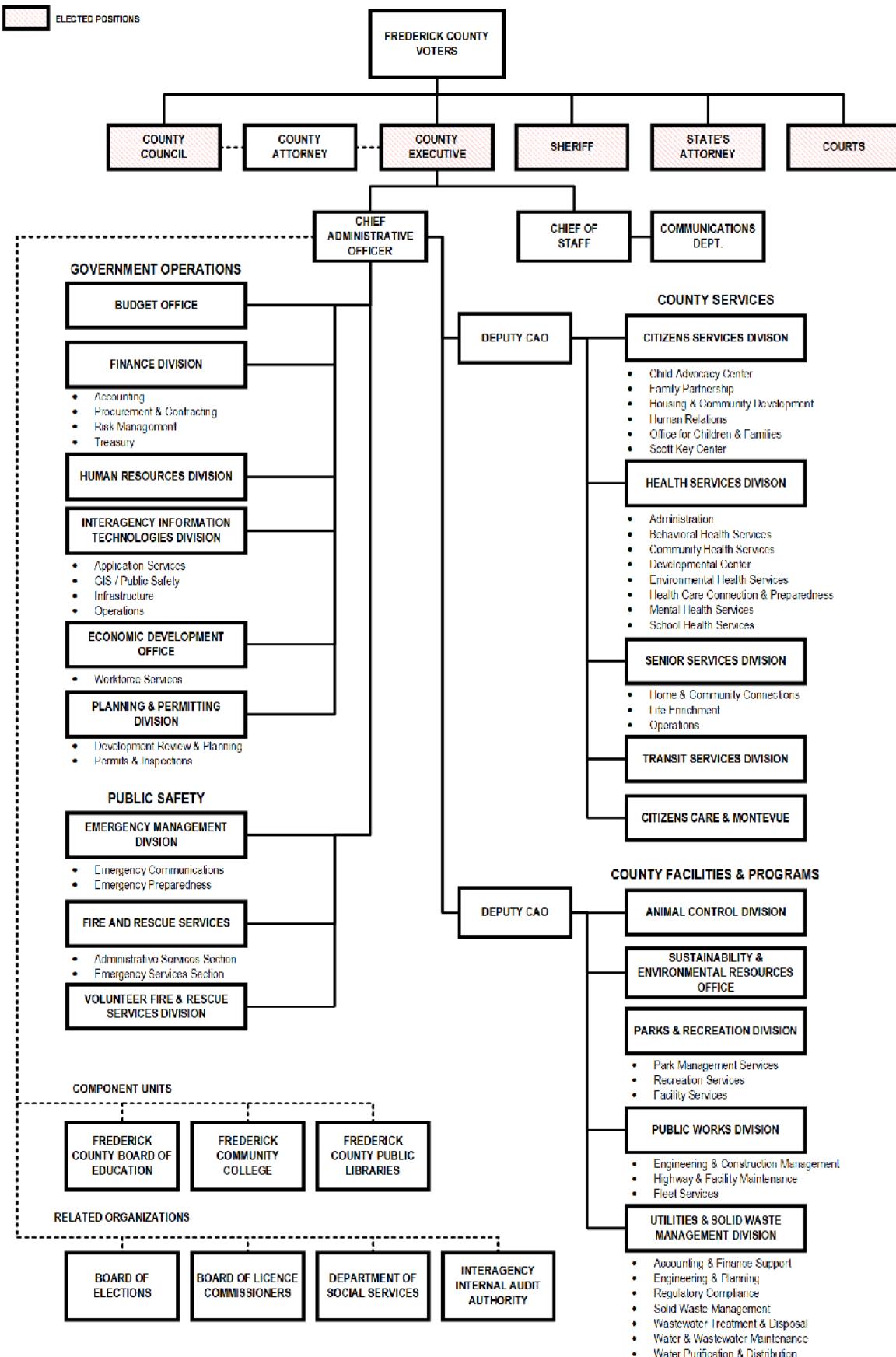
The County Executive is the chief executive officer of the County, and serves a four-year term. No County Executive may serve more than two consecutive terms. The County Executive appoints other County executive officers, including a Chief Administrative Officer, a County Attorney, a Director of Finance, and other department heads.

The financial affairs of the County are administered by the Director of Finance. The Director of Finance’s duties include the disbursement of County funds, the keeping and supervision of all accounts, the control of all expenditures on the basis of budgetary appropriations and allotments, the preparation of bond sales, advising on debt management and the preparation of the County’s annual financial report. In addition, the Director of Finance is responsible for the procurement operation, the treasurer’s office and the risk management office.

The Frederick County, Maryland Government Organization Chart is found on the next page.

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## **FREDERICK COUNTY GOVERNMENT ORGANIZATIONAL CHART**



## **Certain Elected and Appointed Officials**

*Jan H. Gardner, County Executive*, was elected as Frederick County's first county executive in 2014 and is currently beginning her second term. Ms. Gardner previously served as a County Commissioner for 12 years from 1998 to 2010, including four years as President of the Board of County Commissioners. Ms. Gardner's key priorities are education, jobs, seniors, and community needs. Key initiatives include accelerating school construction; Livable Frederick, a new, innovative and strategic approach to planning for the future; Seniors First, to engage and empower a growing senior population; and, the creation of ROOT, a new business collaboration and innovation center. Ms. Gardner currently serves on the Board of Directors for the Maryland Association of Counties (MACo) and the Metropolitan Washington Council of Governments. She is also a Past President of MACo. Ms. Gardner serves on the MACo Legislative Committee and Tax Committee, the Frederick County Fire and Rescue Advisory Board, and the Tourism Council of Frederick County Board of Directors. Her business experience includes accounting, operations planning and new product development for the Quaker Oats Company, a Fortune 100 company. Ms. Gardner gained valuable federal government experience as the State Director for U.S. Senator Barbara A. Mikulski. She earned a MBA from Xavier University and a BBA in finance and economics from the University of Notre Dame. Ms. Gardner also graduated from the Rawlings Leadership Training Program through the University of Maryland and was awarded the President's Medal for Leadership from St. John's Catholic Preparatory School. She has been named one of Maryland's Top 100 Women by the Daily Record three times and is a member of the Circle of Excellence. Ms. Gardner is married and has three adult children.

*M.C. Keegan-Ayer, County Council President*, has resided in Frederick County for more than 25 years. She has three children and is particularly interested in education, growth, and development. Ms. Keegan-Ayer is a graduate of Bridgewater College with a degree in education. She taught first grade for two years, then worked on Capitol Hill for 10 years, first as a Legislative Assistant, then as a Legislative Director, and finished up as a lobbyist for an organization representing workers from across the U.S. Ms. Keegan-Ayer joined the PTA of her children's schools and continued working on PTA issues for over 20 years in various capacities. She also served on the PTA Council of Frederick County, first as Chair of the Legislative Issues Committee, and later as the 2<sup>nd</sup> Vice President in charge of all legislative issues and advocacy efforts.

*Michael Blue, County Council Vice President*, has lived in Frederick for over 50 years. He graduated from Frederick High School in 1978 and Frederick Community College in 1980. After attending Shepherd College, Mr. Blue began his career as a small business owner. He has owned and operated Brownies Auto Service in Walkersville for over 32 years. Mr. Blue is married to local Frederick doctor, Jeanne O'Connell. They have three adult children, all graduates of Frederick County Public Schools. In addition to their three children, they have three grandchildren. As a County Council Member, Mr. Blue currently serves on the Downtown Frederick Partnership and the Frederick Municipal Airport Commission. He also serves on the Citizens Advisory Committee for the Frederick County Sheriff's Office serving as its president for over six years. He is a member of St. Katherine Drexel Catholic Church in Frederick. Mr. Blue represents Council District 5 that comprises the northern part of Frederick County including Thurmont, Myersville, and Walkersville.

*Phil Dacey, County Council Member*, was born in Frederick and graduated from Thomas Johnson High School in 1996 and the University of Maryland, College Park in 2000. Mr. Dacey served as a Chief of Staff in the Maryland Senate from 2001-2005. While working there, he began attending the University of Baltimore Law School at night, graduating magna cum laude and becoming a member of the Maryland bar in 2008. Since 2006 Phil has served in a variety of capacities at the Maryland Department of Transportation. He currently serves as the Deputy Administrator for the Maryland Department of Transportation Motor Vehicle Administration. From 2013-2017, Mr. Dacey served on the Frederick City Board of Alderman. Mr. Dacey has served on multiple boards and commissions including the Frederick County Ethics Commission, the Frederick Board of Zoning Appeals, the Governor's Criminal Justice Information Advisory Board, the American Association of Motor Vehicle Administrators, and the Religious Coalition Board of Directors. Mr. Dacey's wife, Alicia, is a small business owner in Frederick. They have two daughters attending Yellow Springs Elementary School.

*Jerry Donald, County Council Member*, is a native and has worked in Frederick County for over 30 years as a teacher. He is a graduate of Middletown High School and Western Maryland College (now McDaniel College). Mr. Donald is married, has three daughters, and resides in Braddock Heights, Maryland. Besides teaching, he has been in sales, coached and officiated high school sports, and served as President of the Braddock Heights Community Association.

*Jessica Fitzwater, County Council Member*, was born and raised in Smithsburg, Maryland, and has been residing in Frederick County for 13 years. She holds a Bachelor of Arts degree in music from St. Mary's College of Maryland, and a Master of Science degree in educational leadership from Hood College. Ms. Fitzwater is also a graduate of Emerge Maryland, a prestigious political leadership program for Democratic women. She is a music teacher at Oakdale Elementary School, where she also directs an extracurricular chorus. In 2012 Ms. Fitzwater was named one of The Frederick News-Post's 13 Young Professionals Under 30, in 2014 she was named the National Education Association's (NEA) Political Activist of the Year, and she was named one of the MD Daily Record's Leading Women in 2015. She is a past member of the Board of Directors of the Frederick County Teachers Association and currently serves on the Board of Directors of the Frederick Arts Council.

*Kai Hagen, County Council Member*, was elected to the Frederick County Council (At-Large) in 2018. Previously, Mr. Hagen was elected to the Frederick County Board of County Commissioners in 2006, where he served through 2010. Mr. Hagen and his wife, Kirsten, have two adult sons. After growing up in Washington D.C., Mr. Hagen left the area to attend St. Olaf College in Minnesota, returning east after a dozen years there and eight more in California. For most of that time, Mr. Hagen worked with a number of environmental organizations. The family moved to the City of Frederick in 1995, and then to northern Frederick County in 2000. Since they first settled in Frederick County, Mr. Hagen has been highly engaged in the community. That has included volunteering with local organizations, serving on a variety of boards and commissions, coaching soccer and basketball, writing columns for *The Frederick News-Post* and *The Gazette*, hosting a community-focused radio show, and more. For the last eight years, he has served as the Director of Envision Frederick County, a non-profit organization founded on the principle that informed public discourse and active engagement of individuals and groups in our civic life are essential to our mutual well-being and prosperity.

*Steve McKay, County Council Member*, has lived with his family in Monrovia since 1999. Mr. McKay's wife, Pam, is a stay at home mom to their four children, co-founded a community organization called Residents Advocating for Land use and the Environment (RALE), and keeps very busy with her community outreach activities. Mr. McKay's experience in community service began in RALE, where he was President from mid-2013 until his resignation to pursue this County Council seat. Mr. McKay has been a strong advocate for responsible growth in the community, most notably in RALE's fight against the Monrovia Town Center. Mr. McKay also worked tirelessly to strengthen our public ethics standards and frequently provided public comment on any number of issues. During this period, Mr. McKay was also the Treasurer for his son's Cub Scout Pack at Green Valley Elementary School for three years. Mr. McKay has spent the last 32 years as a professional in the National Security arena, providing analysis and program management support to his government clientele. Mr. McKay received his master's degree in public management from the University of Maryland in 1987, and his Bachelor of Arts degree in political science from Boston University in 1985.

*Richard P. Harcum, Chief Administrative Officer*, was appointed to his position in February 2019. Since February 2016, Mr. Harcum served as the budget director. In 2016 Mr. Harcum retired from the Washington Metropolitan Area Transit Authority, where he served as director of performance management, budget director, and other finance related roles over 26 years. He also worked at the Maryland Department of Transportation as a financial planner, and as a financial analyst for a telecommunications corporation. A resident of Frederick, Harcum earned his master's degree in finance and his Bachelor of Science degree in business administration, both from the University of Maryland.

*John S. Mathias, County Attorney*, was appointed to his position in September 1988. Mr. Mathias received his Bachelor of Arts degree in economics from St. John's University, Collegeville, Minnesota, in 1976, his law degree from the University of Maryland School of Law, Baltimore, Maryland, in 1979, and his master's degree in business administration from the University of Minnesota Graduate School of Management, Minneapolis, Minnesota, in 1985. Mr. Mathias was an attorney with the law firm of Murnane, Conlin, White, Brandt & Hoffman in St. Paul, Minnesota, from January 1980 through April 1983. From May 1983 until February 1987, Mr. Mathias was an attorney with Tenneco Oil Company in Houston, Texas. From February 1987 until September 1988, Mr. Mathias was an assistant attorney general in the Antitrust Division of the Office of the Attorney General of Maryland in Baltimore, Maryland.

*Helen V. Propheter, Director, Office of Economic Development (OED)*, was named director in December 2015 serving as manager of the OED since February 2012, following the reorganization of the OED. Ms. Propheter began her career with Frederick County in May 1992 with Frederick County Workforce Services. In October 2007 she was hired by the OED and served as the deputy director from 2007 to 2012. She has 20+ years of experience leading teams, programs and staff. Ms. Propheter serves on the Board of Directors of Frederick Innovative Technology Center, the Downtown Frederick Partnership, the Fort Detrick Alliance, and the Frederick County Workforce Development Board, and is a member of Maryland Economic Development Association (MEDA), Biotechnology International Association, and the International Economic Development Council (IEDC). Ms. Propheter graduated from Mount Saint Mary's University with a Bachelor of Science degree in psychology.

*Lori L. Depies, CPA, Director, Finance Division*, returned to her position in October 2014. Before her return, Ms. Depies served as the County Manager from October 2011 under the previous commissioner form of government. Ms. Depies has served as the director of the Department of Treasury and as an accounting team leader for the general fund, various enterprise funds, the pension fund, and component units. Prior to her employment with Frederick County, Ms. Depies was the controller for Washington Aluminum Company, Baltimore, Maryland, as well as the subsidiary operation in Pennsylvania. Her career in this manufacturing operation totaled 10 years. In addition, she served as a staff accountant for five years at Home Federal Savings Bank, Hagerstown, Maryland. Ms. Depies received her bachelor's degree in accounting from Frostburg State University. She is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Government

Finance Officers Association. She serves as a public member on the Maryland National Capital Park and Planning Audit Commission. She is a member of the Maryland Government Finance Officers Association and also serves as the trustee for Frederick County's various benefit trust funds that include the Employees' Retirement System, the Other Post Employee Benefits (OPEB) Trust Fund and the Length of Service Awards Program (LOSAP).

*Kelly M. Weaver, Director, Budget* was appointed to her position in July 2019. Since August 2007, Ms. Weaver served as the assistant budget director, being primarily responsible for the six-year capital improvement program. Prior to her position as assistant budget director, she worked as an accountant at both the County and at City Hospital (now part of WVU Medicine). Ms. Weaver received her bachelor's degree in accounting from Salisbury University and her master's degree in business administration with a concentration in accounting from Mount St. Mary's University.

*Steven C. Horn, Director, Planning and Permitting Division*, was appointed to his position in February 2015. He has served in a variety of leadership roles in county and municipal planning offices in central Maryland for over 30 years and has been appointed to a variety of commissions at the local, regional, and statewide levels. Mr. Horn worked for the Planning Department in Carroll County, Maryland, starting in December of 1987, serving as Director from January 2000 to August 2001, and again from January 2003 to December of 2010. He was formerly appointed Director of Frederick County's Planning Division from August 2001 to January 2003, and Director of Planning and Community Development in Westminster, Maryland, from June of 2011 to February of 2015. Mr. Horn received his Bachelor of Arts degree in geography from Frostburg State College, Frostburg, Maryland, in 1983, and his Master of City and Regional Planning degree from Morgan State University, Baltimore, Maryland, in 1994.

*Charles F. Nipe, Director, Public Works Division*, was appointed to his position in October 2013, after serving as the acting director since May 2013. Mr. Nipe's employment with the Frederick County Public Works Division began in 1998, when he was hired as a contracts administrator. He was promoted to department head of Construction Management and Inspection in 2000. In February 2012 the department expanded to include design responsibilities and was renamed the Department of Facilities and Project Services. Mr. Nipe has over thirty years of experience with construction activities, having begun his career with Earth Data Incorporated, a hydrogeological consulting firm, in 1986. He earned an Associate in Arts degree from Chesapeake College, Wye Mills, Maryland, in 1989; a Bachelor of Science from Southern Illinois University at Carbondale (a satellite program at Dover Air Force Base, Dover, Delaware) in 1995; and a Master of Business Administration from Wilmington College (now Wilmington University) in Wilmington, Delaware, in 1999.

*Kevin L. Demosky, Director, Utilities and Solid Waste Management Division*, was named director in May 2011 after having been acting director since December 2010. Prior to that Mr. Demosky served as deputy director since August 2005. He was the department head for the Department of Engineering and Planning between April 2000 and August 2005. Mr. Demosky began his career with Frederick County in 1988 as a design engineer. Prior to his employment with Frederick County, Mr. Demosky was a staff engineer for William H. Gordon and Associates in Reston, Virginia. In 1987 he earned a Bachelor of Science degree in civil engineering from the West Virginia Institute of Technology (now WVU Tech) in West Virginia, and an Associate in Arts degree from Hagerstown Junior College, Hagerstown, Maryland.

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## Remuneration of Certain County Officials

The following table presents the annual remuneration for certain County officials as of July 1, 2019:

<u>Official Title</u>	
County Attorney .....	\$204,426
Chief Administrative Officer.....	194,987
Director of Finance.....	174,747
Director of Utilities and Solid Waste Management .....	172,783
Director of Planning and Permitting .....	164,547
Director of Public Works.....	154,668
Director of Budget.....	144,000
Director of Economic Development.....	138,186

Source: Frederick County Finance Division.

## Investment of County Funds

County funds are invested by the Director of Finance in accordance with the County's investment policy which conforms to State law on the investment of public funds. The County does not leverage its investment portfolio, buy reverse repurchase agreements or enter into interest rate swaps or other derivatives. It does no borrowing or lending of securities. The County invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances.

## Retirement and Pension Programs

County employees either participate in the Frederick County Employees Retirement Plan (employer sponsored defined benefit plan) or the Maryland State Retirement and Pension systems which are cost sharing multiple-employer pension plans administered by the State of Maryland. As of June 30, 2019, the County has terminated the Frederick County Defined Contribution Plan. Eighty-two participants in this plan were transferred to the Frederick County Employees Retirement Plan. Contributions transferred to the Frederick County Employees Retirement Plan's Trust amounted to \$0.9 million.

### Single-Employer Pension Plan

#### *Plan Descriptions*

The Frederick County Employees' Retirement Plan (the "County Plan") was established on July 1, 1993, under authority created by State legislation and Section 2-2-2 of the County Code. Benefit provisions of the plan were adopted by ordinance after a public hearing.

For County employees hired prior to July 1, 1993, participation in the County Plan was optional and employees had the right to elect to transfer to the County Plan from the Maryland State Retirement or Pension System.

For County employees hired on or after July 1, 1993, participation in the County Plan is a condition of employment with the County. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed." County employees who meet these requirements are referred to as "qualified" or "covered" employees. An employee must work 700 hours per year to be eligible for benefits. Members of the County Council are not eligible to participate in this Plan. In addition, grant funded employees hired or rehired after June 30, 2012, were not eligible to participate in this Plan. The active grant funded employees as of June 30, 2019, were transferred to the County Plan.

The type and number of employees covered as of June 30, 2018, was as follows:

	<u>Uniformed</u>	<u>Non-Uniformed</u>	<u>Non-Vested Terminations</u>	<u>Vested Terminations</u>
Retirees and beneficiaries currently receiving benefits	212	756	0	0
Terminated employees entitled to benefits	0		327	225
Active employees	674	1,185	0	0

Uniformed Employees hired on or before June 30, 2011 may retire at the earlier of age 50 or 20 years of eligible service; Uniformed Employees hired on or after July 1, 2011 may retire at age 55 or 25 years of eligible service. Vesting begins after five years of service. Retirement benefits are calculated by formula which provides a retirement income of approximately 50% to 66% of average pay depending on length of service. Early retirement benefit option is not provided.

Non-Uniformed Employees hired on or before June 30, 2011 may retire at the earlier of age 60 or 25 years of service and are 100% vested after five years of service. Non-Uniformed Employees hired on or after July 1, 2011 through June 30, 2012 may retire at age 65 or 30 years of service and are 100% vested after five years of service. Non-Uniformed Employees hired on or after July 1, 2012 may retire at age 65 or 30 years of service and are 100% vested after ten years of service. Retirement benefits are calculated by formula which provides a retirement income of approximately 50% to 60% of average pay depending on length of service. An early retirement benefit option is available with reduced benefits at age 55 with 15 years of service.

#### *Funding Policy and Net Pension Liability*

Funding for the plan provides for periodic contributions based upon actuarial valuations. In September of 2018, the County adopted a funding policy for the County Plan. This policy establishes a formal methodology for financing the pension obligations of the County Plan, with a goal of maintaining a funding ratio between 95% - 105%. The objective of the policy is to reflect a reasonable and fiscally conservative approach to fund the obligations over a time frame that ensures benefit security while balancing the additional, and sometimes competing goals of intergenerational equity and a stable contribution rate. It is intended to provide flexibility to smooth the volatility of the investment market place and the actual economic and demographic experiences that differ from assumed experience. The policy considers the actuarial determined contribution (ADC) and a minimum contribution equal to two (2) times the net blended employee contribution rate, as of the most recent actuarial valuation. Required contributions under the plan that are not funded by employee contributions are funded entirely by the County. Costs of administering the plan are financed on a current funding basis.

As of July 1, 2000, uniformed employees contribute eight percent of their base pay under the plan and non-uniformed employees contribute four percent. As of July 1, 2012, uniformed employees contribute nine percent of their base pay under the plan and non-uniformed employees contribute six percent. The County's actuarial determined contribution in fiscal years 2018 and 2019 was 18.6 percent of participant payroll. For fiscal year 2020, this contribution rate is 14.7%.

The components of the net pension liability of the County at June 30, 2018, were as follows:

Plan fiduciary net position	(635,261,065)
County's net pension liability	<u>\$ (20,126,708)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.27%

The total pension liability above was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Rates vary by participant service
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

The above is a summary of key actuarial assumptions. Mortality rates were updated to the most recently available table for pension plan participants and, for uniformed participants reflects the recent revision to the surplus amortization method. . Full descriptions of the actuarial assumptions are available in the July 1, 2016 actuarial valuation report.

The County's actual contributions to the plan for fiscal year 2019 were \$22.4 million and were \$6.4 million in excess of the actuarial determined contribution of \$16.0 million. The actuarial valuation as of July 1, 2017 estimated the County contribution to the plan to be \$22.0 million for fiscal year 2019. Fiscal year 2020's budget includes contributions of \$17.9 million, with an actuarial determined contribution of \$17.9 million.

## *Employer Sponsored Defined Contribution Retirement Plan*

The Frederick County Maryland Defined Contribution Plan was established on July 1, 2012 under authority created by State legislation and Section 2-2-2 of the County Code. Benefit provisions of the plan were adopted by ordinance after a public hearing. The defined contribution retirement plan (the “Plan”) was established for employees of Frederick County Government classified as “grant funded” hired, or rehired, by the County on and after July 1, 2012. This plan was terminated effective June 30, 2019. All active employees were transferred into the County’s Single Employer Pension Plan (the “County Plan”).

### **Length of Service Awards Program**

#### *Plan Description*

In 1985, the County created the Length of Service Awards Program (LOSAP), a defined benefit plan for eligible volunteers of Frederick County fire, rescue and emergency medical services. In fiscal year 2017, the County Executive elected to create a Length of Service Award Program Trust, which is funded entirely by the general fund. This trust provides benefits to volunteers who have completed certain eligibility and years of service requirements

An active member, upon reaching 65 years of age, who has completed 25 years of creditable service and otherwise meets the requirements of the program will be entitled to receive an award of \$200 per month, distributed quarterly, until death. An additional award of \$20 per month will be made to the member for each additional 5 years of completed creditable service up to a maximum total award of \$300 per month.

The LOSAP program also provides a death benefit to eligible volunteers. In the event a member who is receiving LOSAP benefits dies before receiving at least \$15,000 in total payments, their designated beneficiary will receive a partial benefit equal to the difference between payments received and \$15,000. A maximum benefit of \$15,000 will be paid to the designated beneficiaries of a member, age 65 or older, who has died after completing 5 years of active service but less than 25 years. The benefit will be pro-rated based on years served after 5 years. A member who has served a minimum of 5 years and is under 65 years of age will be covered under a \$15,000 LOSAP insurance policy.

The type and number of participants consisted of the following at July 1, 2018, the date of the Actuarial Valuation:

Active volunteers	865
Active Receiving Service Retirements Benefits	104
Retired, Disabled, Beneficiaries	142
Inactive with Vested Benefits	37
Total	<u>1,148</u>

#### *Net Pension Liability of the County*

The components of the net pension liability of the County at June 30, 2018, were as follows:

Total LOSAP liability	\$ 12,384,808
Plan fiduciary net position	(787,214)
County's net pension liability	<u>\$ 11,597,594</u>
Plan fiduciary net position as a percentage of the total pension liability	6.36%

The County’s actual contributions to the plan for fiscal year 2019 were \$1.5 million and budgeted at \$1.2 million for fiscal year 2020. Both fiscal years 2019 and 2020 were budgeted and funded at the ADC.

## Other Post-Employment Benefits

### *Plan Description*

The Frederick County Retiree Health Benefit Plan was established on July 1, 2008 and is a single-employer defined benefit healthcare plan administered by the County in a separate trust fund. The Plan provides healthcare benefits to eligible retirees of both Frederick County and Frederick County Public Library and, in certain instances, their eligible survivors and dependents.

Membership of the Plan consisted of the following at July 1, 2017, the date of the February 27, 2018 actuarial valuation report:

Retirees and beneficiaries receiving benefits	717
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>1,649</u>
Total	<u>2,366</u>

### *Funding Policy and OPEB Liability*

Funding for the plan provides for periodic contributions based upon actuarial valuations. The County has historically funded no less than 90% of the actuarial accrued liability. Benefits are based on the employee's hire date. For employees hired on or before July 1, 1992, the County pays approximately 84 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992 and before August 1, 2008, also must have worked for the County for a minimum of ten years; these employees pay 50 percent of the cost of premiums. Employees hired after August 1, 2008, also must have worked for the County for a minimum of ten consecutive years; these employees will pay 75 percent of the cost of the premium with 10 to 14.9 years of service, 65 percent with 15 to 19.9 years, 55 percent with 20 to 24.9 years, and 45 percent with over 25 years of service. If a retiree elects to discontinue coverage at the time of retirement or later, they have the option of re-enrolling in the County plan. Therefore, the number of retirees participating in the plan varies throughout the year.

### *Funding Status and Progress*

The components of the net OPEB liability of the County at June 30, 2018, were as follows:

Actuarial accrued liability:

Total OPEB liability .....	\$ 244,035,044
Plan fiduciary net position .....	<u>(151,972,563)</u>
County's net OPEB liability .....	<u>\$ 92,062,481</u>
Funded Ratio .....	62.27%

In the July 1, 2017, actuarial valuation, the projected unit credit cost method with linear pro-ration to assumed benefit commencement was used. The actuarial assumptions included:

- 7.0 percent investment rate of return;
- An annual healthcare cost trend rate for years 2019-2020 of 5.5% for Pre-Medicare and Post-Medicare, 5.5%;
- Inflation rate of 2.75 percent, including impact of Cadillac Excise tax;
- Market value of assets;
- The unfunded actuarial accrued liability is being amortized over a closed 20-year period, as a level of percentage of payroll;
- The target liability is a minimum of 90% of the actuarial accrued liability;
- Mortality decrements were updated to be consistent with the County Pension Plan; and
- Claims assumptions were updated to include the most recent plan experience.

## *Contributions Required and Made*

For fiscal year 2018, the County contributed \$10.8 million to the plan, which was \$0.4 million over the actuarially determined contribution of \$10.4 million. For fiscal year 2019, County contributions amounted to \$12.0 million, exceeding the actuarially determined contribution of \$11.5 million by \$0.5 million. The fiscal year 2020 budget estimates contributions of \$12.5 million, which is \$ 0.8 million above the 90% funding target actuarially determined contribution of \$11.7 million.

## **Labor Relations**

As of June 30, 2019, the County employed approximately 2,222 regular employees, which includes part-time employees. The County has a merit system including a formal appeal and grievance process. Some County employees may be members of the Maryland Classified Employees Association or the American Federation of State, County and Municipal Employees, but do not have the right to collective bargaining. The County has not experienced a work stoppage due to labor disputes and considers its relationships with employees to be satisfactory.

Effective July 1, 2005, State law allowed the County to enact an ordinance allowing voluntary collective bargaining concerning wages and benefits between the County and a duly certified organization representing employees of the County's Division of Fire & Rescue Services ("DFRS"). While the County did enact an ordinance in March 2006, no bargaining took place for fiscal year 2008 because the organization representing DFRS employees failed to obtain certification within the allotted time. The County also decided not to participate in bargaining for fiscal year 2009 and 2010. Collective bargaining was conducted with the certified representative of specified DFRS employees for fiscal years 2011 through 2020. The Memorandum of Understanding between the County Executive of Frederick County and the Career Fire Fighters Association of Frederick County, MD Inc. Local #3666, IAFF, dated June 26, 2016, expired on June 30, 2018 when the County's proposed agreement was not ratified by the bargaining unit. Although the County was not obligated to continue any of the provisions of the June 2016 Memorandum of Understanding (MOU), the County Executive agreed to extend the provisions of the former agreement through June 30, 2019 or when a new contract was signed, whichever was sooner. When no agreement was reached after the fiscal year 2020 negotiations, the extended MOU expired on June 30, 2019. The County Council has appointed a workgroup to draft County legislation, following a referendum vote in November 2018, which would expand collective bargaining to include local working conditions and allow for binding arbitration. This workgroup has a target of October 1, 2019 to complete their task.

In August 2019, County Executive Gardner approved a 7.9% pay increase, effective October 26, 2019, for the County's firefighters and emergency medical technicians (EMT). These raises are not connected to contract negotiations with DFRS. The timing of this action was to make the County more competitive with surrounding jurisdictions regarding recruitment and retention of staff.

The State law also authorized the certified representatives of certain full time deputy sheriffs and corrections officers in the Frederick County Sheriff's Office to collectively bargain with the Sheriff concerning wages and benefits. The Sheriff has engaged in collective bargaining with the certified representatives for both of these groups, Fraternal Order of Police Lodge No. 102 (Deputies) and 102A (Corrections Officers) for fiscal years 2009 through 2022. The labor agreements between the Sheriff of Frederick County and the Fraternal Order of Police Lodge No. 102 and 102A are both signed and in effect from July 1, 2019 through June 30, 2022. Any additional funding that was required as a result of collective bargaining by the Sheriff was subject to the approval of the County Executive's fiscal year 2020 budget by the County Council.

Strikes on the part of the employees of the DFRS and deputy sheriffs and corrections officers in the Frederick County Sheriff's Office are not permitted.

The Frederick County Teachers Association represents the certificated employees (teachers) employed by the Board of Education. The Frederick County Teachers Association negotiates employment agreements that include rates of compensation with the Board of Education. Such negotiated agreements are not binding on the County. The County approves funding for the Board of Education.

## **Insurance**

The County maintains commercial insurance for general and automobile liability, workers' compensation, and property loss. Liability coverage is also in place for cyber, fiduciary, multimedia, environmental, law enforcement, employment practices, and public officials' risks and exposures. The County is required to provide unemployment insurance coverage for County employees. In addition to these policies, the County keeps excess insurance policies in force to provide added coverage for large and/or catastrophic events.

Due to increases in cyber events globally, in fiscal year 2020, Frederick County increased its Cyber and Media insurance policy to include a \$5 million policy with a \$75,000 deductible. The coverage includes cyber liability, privacy regulatory action coverage, privacy notification, crisis management coverage as well as E-business interruption, E-threat, and E-vandalism expenses coverage. The County's insurance carrier provides immediate loss mitigation services. In the event of a breach the County has instant access to a Cyber Incident Response Team, which provides legal services, computer forensics, public relations support, credit monitoring and identity restoration services.

Before any software or technology consultant begins work for the County, they are required to carry a minimum of \$1 million in cyber, crime and technology errors and omissions insurance coverage. Our Department of Risk Management reviews their insurance for adequacy prior to any contract being finalized.

### **Leases and Other Contracts**

The County is financing the purchase of numerous pieces of equipment through various lease arrangements to be paid off over the next eight years.

The following is a schedule, by fiscal year, of the projected future minimum lease payments as of June 30, 2019, for all lease-purchase agreements:

<b><u>Fiscal Year</u></b>	
2020 .....	\$1,903,201
2021 .....	1,767,745
2022 .....	1,707,523
2023 .....	1,707,523
2024 .....	1,601,112
2025 – 2027 .....	<u>2,068,280</u>
Subtotal .....	10,755,384
Less amount representing interest .....	<u>(895,106)</u>
Present value-net minimum lease payments .....	<u>\$9,806,278</u>

Frederick County is committed under various leases for building and office space, the majority of which are cancelable. These leases are considered for accounting purposes to be operating leases. Operating lease expenditures for fiscal year 2019 are estimated at \$1,033,237.

In addition to contracts for goods and services incurred in the ordinary course of business of the County, the County is party to numerous other contracts, primarily with engineers, architects and contractors relating to capital projects. Funds necessary to meet the County's obligations in respect to such contracts have been appropriated.

### **Independent Agencies**

Eleven independent agencies submit yearly requests for funding to the County. These requests are subject to the County's budgetary process and must be approved by the County Executive and adopted by the County Council. These agencies are the: Frederick County Board of Education, Frederick Community College, Frederick County Public Libraries, Board of Elections, Cooperative Extension Services, Interagency Internal Audit Division, Liquor License Commission, Frederick/Catoctin Soil Conservation Districts, Maryland Department of Human Resources/Department of Social Services, Maryland State Department of Assessments and Taxation and the Weed Control Division of the Maryland Department of Agriculture. Except for the Board of Education and Frederick Community College, whose board members are elected or appointed by the Governor of the State, members of the boards of the remaining agencies are either appointed by the County Council, are designated members of other County agencies, or are State agencies or political subdivisions of the State. The Board of Education, Frederick Community College and Frederick County Public Libraries are accounted for as component units. All other agencies are funded for in whole or in part by the County's General Fund.

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## **CERTAIN SERVICES AND RESPONSIBILITIES**

Through its various departments, offices and related independent agencies (see “COUNTY GOVERNMENT AND ADMINISTRATION” above), the County is responsible for supplying the following services:

### **Education**

The Board of Education is comprised of seven elected members each serving four-year terms and a student member who is a high school student selected by the Frederick County Association of Student Councils serving a one-year term. The Board is responsible for the overall operation and policy decisions of the County’s 67 schools accommodating approximately 43,598 students. There are 37 elementary schools, 13 middle schools and 10 high schools, 3 public charter schools, an alternative school, a special education school, the Frederick County Virtual School and the Frederick County Career and Technology Center.

During the 2017-2018 school year, the teacher/student ratio was approximately 1 to 15. In May/June of 2018, 3,010 students received high school diplomas.

The County’s largest General Fund appropriation in its adopted fiscal year 2020 budget is \$295,501,123 for operating expenditures for public education. County appropriations for operating expenditures constituted a 4.0% increase over approved operating expenditures by the County for public education in fiscal year 2019. County funds for educational purposes are requested and appropriated in accordance with categorical classifications delineated by the Education Article of the Maryland Code. County appropriations for capital expenditures for public education are \$64,018,181, with an additional \$16,488,976 in State funding in fiscal year 2020. The County expects to receive State and federal aid of \$302,334,408 and \$21,796,053 for operating and capital expenditures, respectively, for public education during fiscal year 2020.

Frederick Community College (the “College”) is a two-year community college offering three separate curricula: a transfer curriculum for those who wish to obtain a bachelor’s degree; an occupational curriculum for those who seek entry-level employment; and a continuing education program for those who wish to upgrade basic skills or occupational skills. Fiscal year 2019, includes the following terms; summer II 2018, fall 2018, January 2019, spring 2019 and summer I 2019. The College served 2,099 unduplicated students for summer 2018 with total full-time equivalent (FTE) of 312.9, 6,000 unduplicated students for fall 2018 with total FTE of 1,645.3, 502 unduplicated students for the January 2019 term with a total FTE of 46.8, and 5,727 unduplicated students for spring 2019 with a total FTE of 1,555.4. Additionally, there were 7,107 unduplicated headcount students and a total FTE of 816.1 for Continuing Education and Workforce Development in fiscal year 2018, between July 1, 2017 and June 30, 2018.

The fiscal year 2020 operating budget for the College is \$56,135,102. Of this amount, approximately 33.8% was appropriated from the County’s General Fund. The balance of the College’s funding is derived from a combination of State aid, student tuition and fees, and other miscellaneous sources. Additionally, the County funds certain capital improvements and renovations annually. New construction funding is usually shared by the County and State. The County’s funding of the College’s fiscal year 2020 capital budget is \$5,902,000.

### **Police and Fire**

The Frederick County Sheriff’s Office (the “Sheriff’s Office”) is a full-service law enforcement agency, providing law enforcement services, security and various support functions for the courts, and correctional services to the citizens of Frederick County. The Sheriff’s Office serves the community by protecting life and property, preventing crime, and preserving peace, orderly and safety.

The Sheriff’s Office is comprised of two bureaus: the Law Enforcement Bureau and the Corrections Bureau. The Law Enforcement Bureau consists of the Administrative Services Division and the Operations Division and is staffed with 193 sworn and 70 civilian personnel. The Corrections Bureau consists of Administrative Services, Community Services, Inmate Services and Security Operations, and is staffed with 137 uniformed and 29 non-uniformed personnel. The Sheriff’s Office is an accredited agency through the Commission on Accreditation for Law Enforcement Agencies, the National Commission on Correctional Health Care, and Maryland Commission on Correctional Standards.

In addition to traditional law enforcement services, the Law Enforcement Bureau offers a wide variety of support services to the citizens of the County, including: victim services, domestic violence follow-up, school resource officer program, contracted school crossing guard program, crime prevention programs, youth services programs, child safety programs, senior safety programs, and child support enforcement.

The Corrections Bureau operates the Frederick County Adult Detention Center which is a full service correctional facility offering not only traditional incarceration, but all available alternatives to incarceration including: pretrial release (supervised release), home detention (electronic monitoring), alternative sentencing (community service hours), and work release. The Corrections Bureau also staffs a full service central booking facility, which processes all offenders arrested within Frederick County so that police officers can return to their patrol duties faster. At any given time, the Corrections Bureau supervises over 700 offenders a day.

Since April 2008, the Sheriff's Office has partnered with the Department of Homeland Security Immigration and Customs Enforcement ("DHS/ICE") to participate in the 287(g) Immigration Enforcement Program. This program, written into federal law, allows correctional officers trained under the program to perform specific functions to enforce the federal immigration laws of the United States. The Corrections Bureau also participates in a Federal Inter-Governmental Services Agreement with DHS/ICE to provide temporary housing for criminal illegal aliens being detained for deportation when bed space is available at the Frederick County Adult Detention Center. The contract provides for the County to receive reimbursement for the costs associated with the housing of those detainees, based on a daily flat fee.

The Frederick County Fire & Rescue Services Division ("DFRS") provides fire, rescue and emergency medical services in conjunction with 25 volunteer fire/rescue companies operating from 29 stations. DFRS is comprised of 415 uniformed personnel responding with approximately 600 volunteers. Emergency response vehicles include 51 pumper, 9 aerials, 17 tankers/engine tankers, 12 squads, 25 brush trucks, 42 ambulances, and 12 medic units.

All volunteer companies receive funding for operating expenses and equipment through the County budget process and a portion of EMS billing revenues. Private donations and fundraising remain significant sources of funding for volunteer company vehicles and buildings.

Prior to July 1, 2013, fire tax districts provided tax revenues for DFRS firefighters and paramedics and for capital expenditures such as vehicles and stations. Beginning in fiscal year 2014, fire and rescue services were consolidated into the General Fund with a recalibrated property tax rate and the fire tax was reduced to zero. The County also bills for ambulance services.

## **Emergency Management**

The Division of Emergency Management is comprised of an Administrative Office and two operational departments: Emergency Communications and Emergency Preparedness. The Administrative Office provides supervision for Departmental activities as well as leadership and coordination for strategic projects. The Division Director serves as the County Director of Emergency Management for the responsibilities identified in Title 14, Section 109 of the Annotated Code of Maryland and is supported by an Administrative Assistant.

The Department of Emergency Preparedness coordinates the emergency mitigation, preparedness, response, and recovery efforts of Frederick County Government with appropriate public and private partners, including the management of Federal, State, or private grants to support program activities. The Department coordinates activities across different functional areas of the County government, and vertically between different levels of government. The Department of Emergency Preparedness is comprised of four (4) full-time regular and one (1) full-time grant funded personnel.

The Department of Emergency Communications operates the 9-1-1 call center for Frederick County and operates the County's public safety radio system. The Department is responsible for the dispatch of County fire, rescue and ambulance services; the Frederick County Sheriff's Office; the Brunswick and Thurmont Police Departments; Frederick County Animal Control; and various other County agencies. The Department of Emergency Communications is comprised of sixty-nine (69) full-time regular and six (6) part-time/on call personnel.

## **Planning and Permitting**

The organizational structure for the Division of Planning and Permitting includes: Administration/Livable Frederick Planning & Design Office; the Development Review and Planning Department; and, the Permits and Inspections Department.

The Division has a staff of 70 and is primarily responsible for defining and implementing a unified approach to the comprehensive planning, development review, permitting, and inspections functions of County government. We serve as a central clearing house for the general public, private sector interests and governmental agencies involved in the County's land development processes, ranging from land use planning and zoning matters, to building permits, inspection services and certificates of occupancy.

Division employees are also responsible for staffing and administering a number of appointed boards and commissions having a role in the crafting, interpretation and implementation of the County's preservation efforts, functional and long-term planning documents, and local Zoning and Building Codes. A listing of some of the boards and commissions for whom the Division is responsible includes: Planning Commission; Board of Appeals; Agricultural Preservation Advisory Board; Agricultural Reconciliation Committee; Electrical Board; Board of Gaming Appeals; Historic Preservation Commission; the Monocacy Scenic River Advisory Board; Bicycle and Pedestrian Advisory Committee; and, the Plumbing Advisory Board.

A key role of the Division is to act as manager and custodian of the County Planning Commission's activities and actions/decisions. The Frederick County Planning Commission was created in 1955 with the responsibility of preparing and administering plans and development regulations for the County. The Planning Commission is an appointed body composed of seven (7) members serving five year terms. They have final authority over site plans, subdivision plats, planned development approvals, modifications to the subdivision regulations and determination of adequate public facilities for new developments. On items such as zoning map amendments, zoning or subdivision text amendments and comprehensive plans, the Commission acts in an advisory capacity to the County Council who has the final decision to adopt, or amend plans and regulations.

Another key, quasi-judicial role managed by the Division is Zoning Administration, including the function fulfilled by the Frederick County Board of Appeals (BOA). The BOA was established in conjunction with the original Zoning Ordinance in 1959. The Board is composed of 5 members and one alternate member serving staggered 3-year terms. The Board adopts its own administrative procedures and is empowered to: hear and decide appeals where it is alleged there is an error in any order, requirement, decision or determination made by an administrative official in the enforcement of the Zoning Ordinance; hear and decide special exceptions authorized in the Zoning Ordinance; and, authorize, upon appeal in specific cases, a variance from the terms of the Zoning Ordinance.

A major planning discipline overseen by the Division is the County's land preservation effort. The County's Agricultural Land Preservation Program was established in 1978 and currently administers multiple state and county land preservation programs. These programs assist in preserving rural and agricultural land and also facilitate the ability for new farmers to purchase farm land. The County has a goal to preserve 100,000 acres of land and has permanently preserved over 60,000 acres as of this writing.

With regard to monitoring development, its costs, and its impact on local facilities, the County adopted an Adequate Public Facilities Ordinance (APFO) in 1991 to better coordinate the timing of development with the adequacy of public facilities, such as schools, roads, and water and sewer utilities. The APFO was updated in 2011 with comprehensive amendments to the roads section. Also in 2011, revisions were made to the APFO schools section which created an option for developers to pay a *school construction fee*, thereby allowing them to proceed to construction and avoid delays caused by inadequate school facilities serving their development. In 2016, the option of paying the school construction fee on new projects, in order to avoid delays resulting from inadequate schools, expired and was not reinstated.

In 1993, a development impact fee was adopted to partially offset the capital costs of new school construction. The impact fee was expanded in 2001 to include capital costs of library facilities and to provide for an annual adjustment to reflect the construction cost index. An update to the impact fee study, last performed by a consultant in 2017, provided justification for annual adjustments to the fee amounts charged per dwelling type, and for the first time, included certain land and transportation costs.

Following is a brief description and highlights of the duties, roles and responsibilities of the respective Offices and Departments in the Planning & Permitting Division:

#### Administration/Livable Frederick Planning & Design Office

The Administration function of the Division is comprised of 7 staff members. Collectively, this group includes the Livable Frederick Planning & Design Office and is responsible for the comprehensive, long-range planning function of County government. The latest iteration of the County's master planning effort, entitled Livable Frederick Master Plan (LFMP), is anticipated to be adopted in 2019. The original countywide comprehensive plan document, first adopted in 1959, has been periodically updated through the years. The last comprehensive revision, prior to the current LFMP effort, resulted in the 2010 version with amendments adopted in 2012. The Livable Fredrick Master Plan builds on many of the themes included in the 2010 document, while incorporating current planning perspectives like community based visioning, scenario planning, and aspirational themes focusing on our community, health, economy and environment.

The Administration is also responsible for the drafting, presentation, approval and implementation of a number of functional planning documents, including, but not limited to: the Planning Annual Report; the triennial Water and Sewer Master Plan and related cycle amendments; and, the Land Preservation, Parks and Recreation Plan.

## Department of Development Review and Planning

The mission of the Department of Development Review and Planning is to provide excellent customer service, in a predictable and efficient manner, while assuring compliance with zoning regulations, subdivision rules, economic development objectives, and land preservation goals.

The Department is primarily responsible for the development plan review function of County government while also ensuring the efficient implementation and administration of land preservation and development planning functions in the County. The Department is comprised of several functional areas, including the following core services:

- Development Review Planning – responsible for the management and administration of the Planning Commission; review of site development plans and subdivision plans; administering subdivision regulations and related planning/land development ordinances.
- Development Review Engineering – responsible for approving plans associated with stormwater management, storm drains and grading, roads, bicycle and pedestrian facilities.
- Zoning Administration – responsible for administering the Board of Appeals; review of building permits for zoning compliance; inspection for site plan compliance; zoning administration and enforcement.
- Historic Preservation Program administration – responsible for administering the Historic Preservation Commission; reviewing nominations to the National and County registers of historic places; consideration of applications relating to land uses on properties of historic significance.
- Land Preservation Program administration – responsible for administering a number of land preservation efforts, including the Installment Purchase Program, the MD Agricultural Land Preservation Foundation, Rural Legacy; the Conservation Resource Enhancement Program, and others.

## Department of Permits and Inspections

The Department of Permits and Inspections, comprised of a professional staff of 44, continues with their mission of providing excellent customer service at a “one-stop shop” providing all permitting and inspection services. The 30 North Market Street location serves as the clearing house for all activities related to the issuance of building, plumbing, electrical, life safety, grading and gaming permits, and the requisite provision of initial, follow-up and final inspection services.

Included among the principal disciplines responsible for the timely processing, approval and inspection of the respective permits issued is the Environmental Compliance Section (ECS). The primary responsibility of ECS is the enforcement of sediment control, stormwater management and forest resources ordinance code requirements.

The clearing house function performed by the Department, including the processing, review, and approval of all permits related to the building trades and other compliance efforts listed above, results in the initiation of over 60,000 inspections per year as of this writing. In an effort to continue to meet an increasing demand for the timely and professional services offered, the Department has embarked upon a necessary update to its automated land management tool known as Hansen. The new land management program, expected to go live in 2019, will result in a much improved on-line experience for the Department’s customers and staff. Other efficiencies, including the realization of paperless submittal and review processes, will improve the customers overall experience in their collective dealings with the Department.

## **Office of Sustainability and Environmental Resources**

The Office of Sustainability advances practical solutions for protecting the environment, conserving energy and living sustainably in Frederick County, Maryland. This Office collaborates with County divisions, businesses, citizens, and other organizations to advance improvements and innovation in: Air and Water Quality, Energy Efficiency and Renewable Energy, Green Building and Smart Growth, Resource Conservation, Pollution Reduction and Land Protection, Waste Reduction and Recycling, Sustainable Economic Development, and Citizen Participation and Community Engagement.

The Watershed Management Section of this Office works to identify water quality problems from the storm sewer system discharges to watersheds in Frederick County and to correct these water quality problems. This work includes GIS data collection, water quality monitoring, special studies and reporting, stream restoration projects, stormwater management facility retrofits, and the reduction of untreated urban impervious areas by twenty percent. Key to this is regulatory compliance including management of the mandatory National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit compliance and reporting.

This Office is fostering the long-term ability to provide an excellent quality of life for citizens, a thriving economy for businesses and jobs, and conservation of important resources. Sustainability means that the needs of the present and the needs of the future both have weight. A sustainability framework requires that decisions are made that give consideration to the economy, society, and environment.

The County Executive announced in August, 2019, the commissioning of a new solar array at the County's Landfill. This array, comprised of 7,776 panels over nearly 14 acres, is expected to produce more than 3.5 million kilowatt hours of electricity a year. Through a net 20-year metering agreement with TESLA Energy, electricity generated by the solar array is transferred to the power grid to offsets costs at designated County facilities.

## **Economic Development**

Functions within the Office of Economic Development (OED) are administered by a staff of 8 full-time employees and include efforts to increase the overall economic health of the County through attracting new businesses in targeted industries and helping existing businesses be more successful. The Frederick County Workforce Services (FCWS) department is included within Economic Development. This department is one of the nation's American Job Centers. With 34 county and state staff, their mission is to assist businesses in need of qualified employees with individuals seeking employment opportunities. In 2017, FCWS co-located with Frederick Community College to continue to foster the workforce training opportunities through this enhanced partnership. The County is made up of a diverse business community and supports and cultivates the growth of entrepreneurship. The County boasts a supportive and business friendly climate as well as a strategic location, a highly skilled and well-educated workforce, an award winning educational system and an array of business associations and agencies to assist and foster the growth and success of businesses.

From 2014 to 2018, the County saw a jobs increase of 6.5% or 6,397 new jobs, illustrating significant growth over the last five years. The average wage per worker was \$1,008 per week, up 4.7 percent since the first quarter 2014. The industries that experienced the most growth in employment in the private sector were the construction industry, trade, transportation and utilities sector and education and health services industries.

Frederick Innovative Technology Center, Inc. ("FITCI"), a local full service incubator, continues to graduate technology companies into the County. Over the past 15 years, FITCI has served over 125 companies creating over 800 jobs with \$26.3 million in annual revenue. Currently, FITCI is home to 49 companies.

In 2018, FITCI radically changed its business model. In March, FITCI co-located with OED, the Frederick Chamber of Commerce, Hood College and the Higher Education Center in ROOT (named for these economic development partners working with all businesses to increase their business roots in our county).

In addition to the second location, FITCI's original location expanded to include additional lab space. A new Accelerator program, "The Edge" was launched in May of 2019. New CEOs (35+) serve as company advisors as part of FITCI's Strategic Growth and Advisory Board, and a new revitalized and energized board of directors are in place. FITCI also rolled out a business resource portal to keep all 125+ companies connected.

Life Sciences and other technology related industries continue to locate and expand in Frederick County. The growth is due in part to the County's access to the federal labs and other private and public high tech assets in the region. The location of Fort Detrick in Frederick is also a major contributor to the growth of the life sciences industry in the County. Fort Detrick is home to the National Cancer Institute and the U.S. Army Medical Research Institute of Infectious Diseases, which is the lead medical research laboratory for the nation's biological defense program, and is home to the new National Interagency Biodefense Campus.

## **Roads and Highways**

The County is served by I-270 of the federal interstate highway system running northwest from Washington, D.C., to the City of Frederick and I-70 running west from Baltimore to and continuing through the County. U.S. 15 runs north and south of the City of Frederick, U.S. 340 runs south of the City of Frederick and U.S. 40 runs east and west of the City of Frederick.

The County-owned and maintained road system of approximately 1,279 miles supplements approximately 39 miles of State-maintained and federally aided interstate highways and approximately 301 miles of additional State-maintained primary and secondary roadways serving the County. The County budget includes capital and operating expenditures of \$31,498,254 and \$17,115,494, respectively, for the County's road system in fiscal year 2020. State Highway User Revenues to the County for highway maintenance through State-shared taxes was budgeted to be \$3,004,729 in fiscal year 2020.

## **Health**

In 2019, Frederick County ranked third in the state in several areas such as health outcomes, length of life, health behaviors, and social & economic factors, according to the Robert Wood Johnson Foundation (RWJF) County Health Rankings. The County provides various health services to its citizens through the Health Services Division (HSD). Accredited status was granted by the Public Health Accreditation Board in December 2014, making the HSD one of fewer than 2% of health departments nationwide to achieve accredited status at that time. The HSD is responsible for the enforcement of all state and local health and sanitation laws, often working as the hands and feet of the Maryland Department of Health and Maryland Department of the Environment. The HSD provides services for all residents of Frederick County in ways that impact daily life, from food service facility inspections, and well and septic inspections to communicable disease control and public health emergency planning and response. The HSD assists Frederick County residents at all stages of life, starting with maternal and child health programs including nutrition, dental health for children, health services in public schools, early intervention services for children with developmental disabilities, behavioral health treatment and prevention services for youth and adults, mental health services for children and adults, prevention and screening for chronic diseases, enrollment and navigation assistance for health insurance, all the way to geriatric evaluations. In the role of chief health strategist, the HSD facilitates collaboration among public and private entities and leads local health improvement efforts. Funding for the HSD is shared among County funds, both matching and non-matching, State and federal funds, grants, and client fee collections.

## **Clinical Care**

There are approximately 500 physicians and 200 advanced practice providers practicing in the County. Frederick Regional Health System (FRHS) is a not-for-profit healthcare delivery system serving Frederick County and surrounding areas. The FRHS consists of Frederick Memorial Hospital, Monocacy Health Partners, Monocacy Insurance Limited, Frederick Health Services, and Frederick Integrated Health Network. The FRHS has just under 2,700 employees. Frederick Memorial Hospital is a 233 licensed bed acute care hospital with 24/7 coverage by hospitalists, intensivists, surgicalists, adult emergency physicians and pediatric emergency and hospitalist physicians. The adult and pediatric emergency departments see 58,963 annual visits.

Monocacy Health Partners (MHP) is a separate not-for-profit corporation operated by FRHS and consists of employed physician practices located in 23 offices around Frederick County. The MHP employs 100 physicians, nurse practitioners, and physician assistants. The specialties consist of Family Medicine, Internal Medicine, Urgent Care, Thoracic Surgery, Breast Surgery, Endocrine & Thyroid, Urology, Medical Oncology, Orthopedics, Pain & Supportive Care, General and Oncology Surgery, Otolaryngology, Dental Clinic, Care Clinic, Behavioral Health, and Wound Care & Hyperbaric.

In addition to FRHS facilities there are 5 imaging centers, 3 labs, 7 urgent care centers as well as minute clinics located in some of the retail stores, and 17 outpatient surgery/endoscopy centers. There are numerous rehab and wellness centers located throughout the County. Several physicians have x-ray, rehab, lab, and wellness components within their practices. There are 10 post-acute care facilities in Frederick County.

## **Skilled Nursing and Assisted Living Facilities**

The County owns and operates a licensed 172-bed comprehensive and skilled nursing care facility, Citizens Care & Rehabilitation Center (“CCRC”), and a 75-bed assisted living facility, Montevue Assisted Living (“MAL”), both in the City of Frederick. The facilities are managed by Aurora Health Management of Millersville, Maryland under a contract until February, 2021. All personnel of the facilities are employees of Aurora Health Management. The County has the right to terminate the contract if certain performance metrics are not met, including a metric of earnings before interest, taxes, depreciation, amortization and rent (“EBITDAR”) of at least \$2.5 million. Aurora is paid a management fee of 4.5% of gross revenues under the management agreement.

The average occupancy rate of CCRC for fiscal year 2019 was 96.13%. Occupancy rates are estimated at 94% for fiscal year 2020. The operating revenue of CCRC for fiscal year 2019 is estimated at \$23,255,238. The primary revenue source is third-party reimbursement from Maryland Medicaid, along with a significant reimbursement from Medicare. The fiscal year 2020 budget includes a three percent increase to the Medicaid system, however the State of Maryland provided a four percent increase for fiscal year 2020. Operating expenses for fiscal year 2019 are estimated at \$20,636,358. Budgeted operating expenses for fiscal year 2020 are \$20,825,815. The increase for fiscal year 2020 reflects a stable employee count and an average increase for salaries at two percent. The fiscal year 2020 budget includes 183 full time equivalent positions, consisting of full-time and part-time personnel.

Located adjacent to the skilled nursing facility is Montevue Assisted Living, where most residents are responsible for self-care, except for the administration of medication. The average occupancy rate for fiscal year 2019 was 93.10%. The operating revenue of MAL for fiscal year 2019 is estimated at \$2,374,495. Operating expenses for fiscal year 2019 are estimated at \$4,687,797. Budgeted operating expenses for fiscal year 2020 are \$4,646,271, which reflect an average increase for salaries of two percent and an increase in the cost for contracted services from CCRC of two percent. The fiscal year 2020 budget includes 28 employees, consisting of full-time and part-time personnel. The capacity of Montevue Assisted Living is 75, of which at the close of fiscal year 2019, 28 residents were participants in the financial subsidy program of the facility. These residents are unable to provide for the full cost of their care. The funds to assist these residents are generated by Citizens Care and Rehabilitation Center. No County funds are contributed to this program. The cost of this program in fiscal year 2019 is estimated in the amount of \$1,789,472 and is budgeted in fiscal year 2020 at \$1,423,500.

## **Solid Waste**

The Division of Utilities and Solid Waste Management (DUSWM) is responsible for the planning, design and management of the County's solid waste management system and programs. The County's primary disposal facilities are located at its 529-acre Reichs Ford Road Landfill property, which includes the 72-acre Site A landfill, the 58-acre Site B landfill, and a 17-acre rubble fill. The Site A landfill ceased operating in August 1997 and its closure was completed in December 1998. Closure construction included the deployment of a synthetic cap, a landfill gas extraction and collection system, and a flaring system. After closure, Site A was maintained as an open space (until 2019 when a 2,000 kW solar array began construction). To the south of Site A is a closed rubble fill. Since the County's rubble fill was unlined, it was closed on September 2001, in accordance with State regulations. The construction contract for the rubble fill closure and capping was initiated in September 2005, with final acceptance in August 2007 and a bituminous-improved surface for the yard waste processing operation was completed in May 2008. As a post closure end use, the rubble fill site is being used for yard waste processing. Rubble or construction and demolition debris is accepted and co-disposed primarily at Cell 3 in the Site B landfill or transferred to other solid waste facilities along with municipal solid waste. The latter are the principal means of disposal for these wastes.

All of the disposal cells within Site B are constructed with a double composite liner system. The construction of the subtitle D liner system for Cell 3 was completed in August 2006 and currently receives about 8,000 tons per year of waste and is dependent on operational needs. Otherwise, the majority of waste is transferred via contract to out of state landfills. An active gas extraction system was installed at Site B Cells 1 and 2 in 2010.

Leachate collected from both Site A and B landfills is discharged and conveyed via the Bush Creek Sewer interceptor to the Ballenger-McKinney Wastewater Treatment Plant for final treatment. DUSWM also operates a comprehensive groundwater and gas monitoring program for Sites A, B and the rubble fill.

Other than through its curbside recycling collection, the County does not provide or fund waste collection services. Municipal or private waste haulers (by subscription) collect trash in Frederick County and use the County's Reich's Ford Road disposal facilities as their primary disposal facility for municipal solid waste generated in Frederick County.

The County's residential Recycling Program includes curbside recycling collection for all individual single family residential properties, one drop-off center location at the Reich's Ford Road landfill and two yard waste drop-off sites with mulching/composting operations. In 2009, the County's curbside residential collection program was upgraded to a single stream operation and expanded from 54,000 to now nearly 80,000 residential properties within the County.

### *Solid Waste Initiatives*

Since 2000, the County pursued initiatives to extend the operational life of the Reichs Ford Road Site B Landfill. These initiatives include permitting a 105-foot vertical expansion of the Site B landfill and the construction of a waste transfer station to allow waste to be diverted from the County's landfill. In 2008 the Maryland Department of the Environment (MDE) issued the County a Refuse Disposal Permit for the Site B landfill, which included the requested vertical expansion of the landfill. The vertical expansion provides an additional 2 million cubic yards of landfill disposal capacity, without the need to construct additional lined disposal cells.

The County completed the construction of the transfer station in January 2009. The transfer station, located at the Reichs Ford Road landfill, is owned and operated by the County. It receives waste generated throughout Frederick County and through waste transportation and disposal contracts, procured through the Northeast Maryland Waste Disposal Authority ("NMWDA"), transfers a majority of the waste to landfills outside of the County. This contract expires on April 24, 2020.

The transfer station also provides for the transfer of single stream recycling materials collected in the County. The County also receives, through agreements procured through NMWDA, transportation and Material Recovery Facility (MRF) services. Recyclable materials are processed at Recycle America's MRF. The MRF services contract expires on June 30, 2020 and options will be evaluated in the coming year for any changes in the continuation of these services.

In addition to the projects detailed above, the County pursued other initiatives to address the County's long-term waste disposal infrastructure needs. In 2003, the County obtained enabling legislation allowing the County to become a member of NMWDA. The NMWDA was created in 1980 by the Maryland General Assembly and is a regional quasi-state agency that assists its member jurisdictions in planning and developing efficient and reliable waste management systems. Also in 2003, the County obtained enabling legislation that allows the County to assess a solid waste disposal fee or System Benefit Charge ("SBC") for the developed properties in the County. To assure that the County's Solid Waste Enterprise continues to operate on a self-sufficient basis, the County implemented a countywide solid waste SBC in 2006. The revenue generated by the SBC supplements the revenues collected as tipping fees, allowing the County to set tipping fees at market rates. To ensure adequate funding of the Solid Waste Fund and to allow for recycling program expansions, the former Board of County Commissioners continually increased the SBC as deemed necessary.

At the same time the former Board of County Commissioners adopted higher tipping fees for municipal solid waste and construction and demolition debris. The increases in the SBC and tipping fees were needed to address the solid waste enterprise's increasing program costs, which are primarily attributed to recycling program expansions and increased transportation and disposal contract costs resulting from increases in diesel fuel costs. For fiscal year 2014, the former Board of County Commissioners reduced tipping fees for transactions made by cash or check, as they implemented the acceptance of credit cards

Summarized below are the current tipping fees and the approved fiscal year 2020 tipping fees:

<b>Material</b>	<b>FY2020</b>
Municipal Solid Waste	\$ 69/ton
Construction & Demolition (C&D)	\$ 78/ton
Tires	\$160/ton

These tipping fees are subject to a monthly escalation provision to ensure that the tipping fees are adjusted as costs associated with the transportation (fuel) and disposal contract increase.

No changes to the SBC have been made and the current fees are shown below.

<b>Property Designation</b>	<b>FY2020</b>
Single Family Residential	\$ 88/yr
Multi Family Residential	49/yr
<b>(Per 2000 ft<sup>2</sup>)</b>	
Commercial Low	\$ 42
Commercial Medium Low	125
Commercial Medium	208
Commercial Medium High	301
Commercial High	372

The tipping fees produced an estimated \$16.9 million in fiscal year 2019, while the SBC resulted in an estimated \$10.7 million for the same timeframe.

In addition to these tipping fees and SBC increases, the former Board of County Commissioners also adopted fees for commercial Single Stream Recycling disposal and processing which became available with the opening of the new transfer station in January 2009. They also adopted a fee schedule for the sale of mulch and compost products. Revenues from the sale of these products are estimated at \$97,357 in fiscal year 2019.

Increases in the SBC are expected, so as to address the solid waste enterprise's increasing program costs, which are primarily attributed to the curbside recycling program because the recyclable market conditions have changed significantly in the last few years. Therefore the Northeast Maryland Waste Disposal Authority ("NMWDA") has been tasked with procuring services for a review and update to the SBC.

## Water Supply and Wastewater Facilities

The DUSWM is also responsible for the planning, design, operation and maintenance of certain County owned water supply and wastewater disposal systems. The County's water and wastewater utilities are typically provided in unincorporated areas of Frederick County, although in some cases the County owns and operates certain water and wastewater utilities in incorporated towns or municipalities. The development of water and wastewater infrastructure within Frederick County is controlled by the County's Comprehensive Plan and its subordinate Water and Sewerage Plan.

The County owns and operates 13 water treatment plants ("WTP") or systems. The County's largest WTP relies on surface water, while the other smaller treatment facilities rely on ground water. Approximately 96% of the County's water supply is provided from the Potomac River. The remaining 4% of the County's source water is provided from deep well sources associated with the County's smaller water systems or are interconnected with municipal supplies.

The County's Potomac River water transmission system establishes approximately 32 MGD of water transmission capacity to serve the County's service areas south of the City of Frederick and east of the Monocacy River as well as a portion of the City of Frederick. The New Design WTP has constructed capacity of 25 MGD, which the City of Frederick funded a share providing them with up to 8.0 MGD maximum daily demand and is billed monthly (revenue) for water supplied by Agreement. In addition, the County executed the Fort Detrick Water Supply Agreement on September 28, 2010, which provides Fort Detrick with 2.6 MGD max day demand of water with a provision that a minimum of approximately 1.0 MGD of water is purchased (revenue) each month, less the "wheeling" surcharge to City of Frederick for use of its water distribution system.

The County owns and operates 10 active wastewater treatment plants ("WWTP") where all but one has a design capacity of less than 0.5 MGD. These smaller WWTPs provide wastewater service to individual subdivisions, small incorporated or unincorporated municipalities within the County. In addition, the County operates two collection systems (Knoxville and Monocacy). The County's largest WWTP is the Ballenger-McKinney WWTP, which currently has a constructed design capacity of 15.0 MGD. This facility treats wastewater that originates from areas south of the City of Frederick and east of the Monocacy River and also in the general vicinity of Ballenger Creek, Adamstown and Urbana. This facility also receives wastewater flow from the County's Monocacy wastewater collection system, which is a large wastewater conveyance system that serves areas within a portion of the City of Frederick as well as areas immediately north of the City of Frederick and the entire Town of Walkersville. Wastewater flow values for the Monocacy system are reported as part of the total flow treated at the Ballenger McKinney WWTP. This facility is designed to meet the State's enhanced nutrient removal (ENR) requirements. The 15 MGD Ballenger-McKinney ENR WWTP also provides additional capacity for the City of Frederick of 1.36 MGD (or 3.4 MGD at maximum daily flow; approximately 17% funded by the City of Frederick) in accordance with the Central Frederick Sewer Service Area Agreement (CFSSAA) executed June 30, 2014 by and between the County and the City of Frederick.

In summary, as of June 30, 2019, the County operated 12 wastewater collection systems and 13 water distribution systems having a permitted capacity of 16.043 MGD and 17.005 MGD, respectively<sup>(1)</sup>. The wastewater systems serve a total of 34,183 accounts and the water systems serve a total of 26,000 accounts.

## User Rates and Fees

In January 2001, the County commissioned a comprehensive water and sewer cost of service study for the water and sewer enterprise. The study included the development of a computer model to assist DUSWM in monitoring its revenue requirements and determining necessary rate increases. Updates were made to the water and sewer rate model in May 2008 and again in December 2012, which resulted in an increase to the water and sewer rates that were effective in fiscal year 2014 through fiscal year 2018. While there was no increase in fiscal year 2019, an update of the cost of service study was completed and the resulting rates were approved by the County Council in July 2019 and will become effective September 1, 2019. The approved rate schedule includes a sewer rate increase over the next five years (fiscal year 2020 through fiscal year 2024) with no adjustment to the water rates.

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<sup>(1)</sup> Permitted capacity associated with NPDES discharge permits (wastewater) and Water Appropriation and Use Permits (water) issued by MDE.

## ECONOMIC AND DEMOGRAPHIC FACTORS

The County is included as a part of the Washington, D.C. Maryland Virginia Metropolitan Statistical Area (“Washington MSA”). The Maryland portion of the Washington MSA also includes the following counties: Calvert, Charles, Montgomery and Prince George’s.

### **Population of Frederick County and Incorporated Municipalities**

Over the last two decades (1990-2000 and 2000-2010), the U.S. Census Bureau tabulated population of the County increased by approximately 30% and 20% respectively. The County has provided estimates for the years between the U.S. Census Bureau reports.

<b>Year</b>	<b>Population of Frederick County</b>
2018*	255,648
2017	249,277
2016	246,972
2015	243,692
2014	240,911
2013	238,345
2012	236,551
2011	235,400
2010	235,385
2000	195,277
1995	176,044
1990	150,208

Source: U.S. Department of Commerce, U.S. Census Bureau. Frederick County Planning & Permitting Division.

\*Population Estimates, July 1, 2018.

The following table sets forth the County’s twelve incorporated municipalities and their populations for the Census years 1980, 1990, 2000 and 2010.

<b>Municipalities</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
Brunswick .....	4,572	5,117	4,894	5,870
Burkittsville .....	202	194	171	151
Emmitsburg .....	1,552	1,870	2,290	2,814
Frederick .....	28,086	40,186	52,767	65,239
Middletown .....	1,748	1,834	2,668	4,136
Mount Airy <sup>(1)</sup> .....	540	1,497	2,967	3,785
Myersville .....	432	464	1,382	1,626
New Market .....	306	374	427	656
Rosemont .....	305	256	273	294
Thurmont .....	2,934	3,398	5,588	6,170
Walkersville .....	2,212	4,145	5,192	5,800
Woodsboro .....	506	513	846	1,141

<sup>(1)</sup>Mount Airy is located partly within Carroll County and partly within Frederick County and the data set forth above includes only the Frederick County portion.

Source: U.S. Department of Commerce, U.S. Census Bureau; Frederick County Division of Planning.

## Income

The experience of personal income growth in the County, the State and the United States is shown in the two following tables:

### Frederick County, State of Maryland and United States Average Per Capita Personal Income

<u>Calendar Year</u>	<u>Frederick County</u>	<u>Percent Change from Previous Year</u>	<u>Maryland</u>	<u>Percent Change from Previous Year</u>	<u>U.S.</u>	<u>Percent Change from Previous Year</u>
2017 .....	\$39,566	3.4%	\$39,070	3.5%	\$31,177	4.5%
2016 .....	38,280	2.2	37,756	2.3	29,829	3.1
2015 .....	37,449	0.5	36,897	0.6	28,930	1.3
2014 .....	37,254	0.9	36,670	1.7	28,555	1.4
2013 .....	36,917	1.2	36,056	0.8	28,155	0.4

Source: U.S. Census Bureau – American Community Survey – Table DP03 5 year estimates (2013-2017).

### Frederick County and State of Maryland Total Personal Income

<u>Calendar Year</u>	<u>Personal Income (\$000's)*</u>		<u>Percent Change from Previous Year</u>	
	<u>Frederick County</u>	<u>State of Maryland</u>	<u>Frederick County</u>	<u>State of Maryland</u>
2017 .....	\$14,934,448	\$368,258,212	4.8%	4.1%
2016 .....	14,248,621	353,879,629	4.9	3.6
2015 .....	13,577,890	341,295,179	4.3	5.0
2014 .....	13,021,100	324,968,237	3.9	3.8
2013 .....	12,535,112	313,194,782	0.8	3.3

Source: Regional Economic Information system. U.S. Bureau of Economic Analysis, Table CAINC1 – March 6, 2019.

\*Note: Total personal income are in thousands of dollars, not adjusted for inflation.

Personal income levels for the County residents from 2013 to 2017 show a significant increase as measured by the number of income tax returns with adjusted gross income levels over \$50,000 filed with the Maryland Comptroller of the Treasury. Listed below is a five year comparison of the experience for the subdivisions constituting the Maryland portion of the Washington MSA and the State.

### Adjusted Gross Income in Excess of \$50,000

	<u>2017</u> <u>Number of Returns</u>	<u>2013</u> <u>Number of Returns</u>	<u>Percent Increase</u>
Calvert County .....	22,334	18,294	22.1%
Charles County .....	37,701	32,220	17.0
<b>Frederick County .....</b>	<b>59,907</b>	<b>52,647</b>	<b>13.7</b>
Montgomery County .....	256,099	231,614	10.5
Prince George's County .....	175,860	156,953	12.0
State of Maryland .....	1,279,916	1,148,223	11.5

Source: Comptroller of the Treasury, Income Tax Summary Report, Tax Years 2013 and 2017.

## Education

Survey results of the number of high school students in the Maryland portion of the Washington MSA and the State as a whole who graduated in 2018, as a percentage of their ninth grade enrollment four grades earlier, are presented below:

Calvert County .....	94.6 %
Charles County.....	94.7
<b>Frederick County .....</b>	<b>92.4</b>
Montgomery County .....	89.5
Prince George's County .....	82.6
State of Maryland.....	87.6

Source: Maryland Report Card 2018 – 4 Year Adjusted Cohort - Performance Report State and School Systems- Maryland State Department of Education.

The following table sets forth the years of school completed by persons 25 years of age or older as a percentage of the population described in the Census for Frederick County and the other counties in the Maryland portion of the Washington MSA and the State.

	<b>Calvert</b>	<b>Charles</b>	<b>Frederick</b>	<b>Montgomery</b>	<b>Prince George's</b>	<b>State</b>
Elementary (grades K-8) .....	1.6%	2.4%	<b>3.1%</b>	5.0%	6.5%	5.1%
High School						
1–3 years .....	3.8	6.0	<b>5.0</b>	4.0	6.4	6.9
4 years.....	30.7	28.0	<b>21.5</b>	13.9	26.9	27.1
College						
No degree .....	21.9	24.0	<b>19.7</b>	13.5	21.8	20.4
Associate degree.....	8.2	8.2	<b>8.4</b>	5.7	6.4	8.5
Bachelor's degree .....	20.6	19.0	<b>24.1</b>	27.0	18.1	19.7
Graduate/Professional degree..	13.2	12.5	<b>18.1</b>	30.8	14.0	12.3

Source: Table S1501 - Educational Attainment. U.S. Bureau of the Census, 2017 1-year estimate - American Community Survey, American Fact Finder.

## Retail Sales

Retail sales as measured by the growth in retail sales and use tax collections have experienced a steady gain between fiscal years 2018 and 2019. Listed below is the comparison of the experience of the counties in the Maryland portion of the Washington MSA and the State.

### Retail Sales and Use Tax Collections (\$000's)

	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2018</b>	<b>Percent Increase</b>
Calvert County .....	\$44,113	\$42,134	4.7%
Charles County .....	101,146	102,745	(1.6)
<b>Frederick County.....</b>	<b>170,549</b>	<b>167,531</b>	<b>1.8</b>
Montgomery County .....	565,891	553,658	2.2
Prince George's County .....	563,949	547,226	3.0
State of Maryland.....	4,908,976	4,733,831	3.7

Source: Comptroller's Revenue Accounting Division. Summary by Subdivision and Business Activity 2018-2019.

## Business, Employment and Labor

In the following table, statistics are provided relating to the distribution of employment in the County by employer classification for the 2018 annual average. These figures exclude railroad, domestic service, self-employed, agricultural and unpaid family workers:

### Business and Employment Composition

Classification	Average Number of Reporting Units	Percent of Total	Annual Average Employment	Percent of Total
Natural Resources and Mining .....	58	0.9 %	560	0.5 %
Construction .....	916	14.1	10,289	10.1
Manufacturing .....	179	2.8	5,268	5.2
Trade/Transportation/Utilities .....	1,131	17.5	17,774	17.4
Information .....	67	1.0	870	0.9
Financial Activities .....	604	9.3	5,578	5.5
Professional and Business Services	1,422	22.0	14,230	13.9
Education and Health Services .....	777	12.0	15,322	14.9
Leisure and Hospitality .....	589	9.1	12,614	12.3
Other Services .....	568	8.8	3,996	3.9
Total – Private Sector .....	<u>5,159</u>	<u>79.6</u>	<u>86,503</u>	<u>84.6</u>
Local Government .....	87	1.3	10,820	10.6
State Government .....	13	0.2	1,252	1.2
Federal Government .....	60	0.9	3,673	3.6
Total .....	<u>6,476</u>	<u>100.00</u> %	<u>102,249</u>	<u>100.00</u> %

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, "Employment and Payrolls, Annual Average, 2018.

Listed below are the 10 largest employers as of June 2019, located in the County:

### Ten Largest Employers in Frederick County

Employer	Principal Products or Activities	June 2019 Employment
Fort Detrick	Research/Telecommunications	10,078
Frederick County Board of Education	Education	5,863
Frederick Regional Healthcare System	Comprehensive Healthcare	2,618
Leidos Biomedical Research	Medical Research	2,277
Frederick County Government	Local Government	2,175
Wells Fargo Home Mortgage	Mortgage Servicing	1,400
Frederick Community College	Education	1,115
Frederick City Government	Local Government	931
NVR, Inc.	Home Building and Mortgage Banking	683
AstraZeneca	Pharmaceutical	675

Source: Frederick County Office of Economic Development

The following table indicates the County's annual average unemployment rate as compared with the other counties of the Maryland portion of the Washington MSA, the State and the United States for the calendar years 2014-2018.

#### Annual Average Unemployment Rate

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Calvert County .....	3.5%	3.7%	3.9%	4.6%	5.3%
Charles County.....	3.9	4.1	4.3	5.0	5.7
Frederick County .....	3.5	3.7	3.9	4.5	5.0
Montgomery County.....	3.2	3.4	3.5	3.9	4.4
Prince George's County .....	4.1	4.3	4.5	5.2	6.1
State of Maryland.....	3.9	4.3	4.5	5.1	5.8
United States <sup>(1)</sup> .....	3.9	4.4	4.9	5.3	6.2

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information – Annual County Unemployment.

(1) Bureau of Labor Statistics.

The number of persons living in the County who were available for work and composed the work force 133,660 in June 2019 and the total employment for this force was 128,852 resulting in an unemployment rate of 3.6% for this period. Certain comparative unemployment rates are given below for June 2019.

Calvert County.....	3.7%
Charles County .....	4.0
<b>Frederick County .....</b>	<b>3.6</b>
Montgomery County.....	3.3
Prince George's County .....	4.1
State of Maryland .....	4.0
United States .....	3.7

Source: "State of Maryland. Civilian Labor Force, Employment, and Unemployment by Place of Residence, June 2019." Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information.

#### Commuting Patterns

The Census Bureau 2017 American Community Survey determined the work commuting patterns for workers 16 years and older for the labor forces of each of Maryland's counties with populations of 65,000 or more and the City of Baltimore. Comparative figures for workers commuting outside the county of residence for the subdivisions in the Maryland portion of the Washington Metropolitan Statistical Area (MSA) are presented below:

Calvert County .....	44.4%
<b>Frederick County .....</b>	<b>31.9</b>
Charles County.....	28.8
Prince George's County .....	19.7
Montgomery County .....	11.3

Source: U.S. Census Bureau, 2013-2017 American Community Survey, Table S0801.

#### Agriculture

Agriculture is one of the largest industries in the County, with nearly 57% of the total land acreage dedicated to farmland. According to the most recent U.S. Census of Agriculture (2017), there are 1,373 farms located in the County with an average size of 137 acres each. Dairy farming is the major type of farming, and the County is the largest producer of dairy products in the State. The County provides one-third of all milk for the State and is the third largest producer of milk in the mid-Atlantic region. The County leads the State in the production of dairy products, hay, turkeys, cattle and calves, horses and ponies, forage and corn for silage.

Dedicated to farmland preservation, the County is a participant in the Maryland Agricultural Land Preservation Program. This program provides for the purchase of development rights easements. As of July 24, 2019, Maryland Agricultural Land Preservation Foundation easements have been purchased on 21,815 acres with an additional 4,216 acres under the temporary district status. The County has purchased easements in the Installment Purchase Program to protect a total of 20,318 acres. In combination with county and State land preservation programs, there are permanent protective easements on 61,634 acres.

## **Transportation**

CSX Corporation, Maryland Midland Shortline, and numerous truck lines provide railroad and truck freight service to the County. Regular rail passenger service is provided by Amtrak and commuter rail services are provided by the Maryland Railroad Administration (“MARC”) to Washington, D.C. The County has four MARC train stations; a downtown City of Frederick location and a suburban location just south of the City of Frederick, as well as MARC service from Brunswick and Point of Rocks. In addition, the Maryland Transit Administration provides commuter bus services to the Washington, D.C. Metropolitan Area Transit Shady Grove Metrorail station via the 505 Commuter Bus from the City of Frederick, the 515 from Hagerstown, and the 204 Commuter Bus to College Park via the Inter County Connector from various points in the County. Regular passenger bus service is provided by the Greyhound Corporation to a variety of locations outside the County. Intercity bus service is provided by Bayrunner Shuttle and serves Western Maryland, initiating in Grantsville and serving stops in route to the City of Frederick, terminating in Baltimore and the reverse. Local fixed route and shuttle bus service and demand-response service in the County is provided by TransIT Services of the County. The Frederick Municipal Airport is served by private, industrial, and charter aviation as well as local bus service. Three major airports are within 60-miles of Frederick County: Dulles International, Reagan National and Baltimore-Washington International Thurgood Marshall airports.

## **Utilities**

Electric power distribution in the County is provided by the Potomac Edison Company, an operating unit of First Energy, and Thurmont Municipal Light Company, which serves the incorporated town of Thurmont. The electrical generation is purchased from Washington Gas Light Company. Natural gas distribution is provided by the Frederick Gas Company, a division of the Washington Gas Light Company, and UGI/Central Penn Gas Company, which services the town of Emmitsburg and the surrounding area.

## **Recreation and Leisure**

There are many historical and cultural attractions in the County including: the Weinberg Center for the Arts, the Delaplaine Visual Arts Center, the Maryland Ensemble Theatre, the National Museum of Civil War Medicine, the Barbara Fritchie House, the Children’s Museum of Rose Hill Park, Francis Scott Key’s Monument and Grave, Roger Brooke Taney House/Francis Scott Key Museum, the Camp David Museum, the Historical Society of Frederick County, the Seton Shrine Center, the Grotto of Lourdes, Lily Pons Water Gardens, Brunswick Railroad Museum, three covered bridges and an abundance of antique shops.

The County also offers 13 golf courses, the Frederick Keys (a minor league Class A affiliate of the Baltimore Orioles that plays at the Harry Grove Stadium in the City of Frederick), numerous Civil War sites, and local, state and national park facilities. The Appalachian Trail which runs from Georgia to Maine roughly follows the western boundary of the County and skirts the Gathland State Park which contains the first monument to war correspondents. Frederick County is the leader in the State of Maryland in craft beverages. Now home to more than 30 wineries, breweries and distilleries, this industry generates jobs in agriculture and manufacturing, strengthens Frederick’s tourism industry and attracts young talent to the community.

## **Parks and Recreation**

The Parks and Recreation Division provides for acquisition and development of a County-wide park system including community, district, regional and special use parks. The system includes 22 developed parks comprised of 2,099 acres of which 1,342 acres are developed to some degree. The largest site is 249 acres. Additionally, the Division develops and manages community recreational programs and maintains County-owned grounds.

State and national parks within the County are primarily utilized for natural and historical resource protection. There are six State parks in the County: Cunningham Falls State Park, Gambrill State Park, Gathland State Park, Greenbrier State Park, South Mountain State Park and Washington Monument State Park. Federal recreation areas include Monocacy National Battlefield, C&O Canal Park and Catoctin Mountain National Park.

The twelve municipalities also provide and maintain park systems which include neighborhood, community, and special use parks.

## Construction Activity and Value

Construction activity includes the number of building permits issued for new dwellings and commercial/industrial permits. The estimated construction value is reflected below. This table reflects building activity in the County including the incorporated municipalities:

### Building Permits and Construction Value

Calendar Year

	2019*		2018		2017		2016		2015	
	Issued	Value (000's)								
Residential	1,564	\$ 346,476	2,038	\$ 568,320	1,873	\$ 513,434	1,868	\$ 416,710	1,158	\$ 180,891
Com./Ind./Other	588	120,273	986	139,958	4,247	212,945	4,447	161,591	2,649	232,932
Total	2,152	\$ 466,748	3,024	\$ 708,278	6,120	\$ 726,379	6,315	\$ 578,301	3,807	\$ 413,823

\*2019 Information as of June 30, 2019.

Source: Frederick County Planning & Permitting Division.

## Housing Permit Activity

The number of permits issued for new dwelling units and the dwelling type, by calendar year, in the County including all municipalities, are provided below:

Dwelling Type	2019*	2018	2017	2016	2015	2014
	No. of Units/ % of Total					
Single Family Detached	475 / 30%	874 / 43%	798 / 42%	519 / 28%	371 / 32%	389 / 30%
Townhouse	449 / 29%	724 / 35%	668 / 36%	389 / 21%	358 / 31%	352 / 27%
Multi-Family	640 / 41%	423 / 21%	406 / 22%	958 / 51%	429 / 37%	577 / 44%
<b>Total</b>	<b>1,564</b>	<b>2,021</b>	<b>1,872</b>	<b>1,866</b>	<b>1,158</b>	<b>1,318</b>

\*2019 information as of June 30, 2019

Source: Frederick County Planning & Permitting Division.

## Land Use

The County's existing land use is predominantly in agricultural and natural resource uses (forest, rivers, public parkland etc.) uses. The following table shows land use as designated on the County Comprehensive Plan (2012):

	Acres	Percentage
Agriculture	217,821	51%
Commercial/Industrial	12,323	3%
Institutional	2,992	1%
Municipal	27,330	6%
Residential	40,845	10%
Mixed Use	938	0%
Resource Conservation/Water/Parks	113,080	26%
Right of Way	13,415	3%
<b>Total</b>	<b>428,744</b>	<b>100%</b>

Source: Frederick County Planning & Permitting Division.

## BUDGET AND ACCOUNTING

The County budget is comprised of the Current Expense Budget (“General Fund Budget” or “Operating Budget”), the Capital Budget, and the Capital Improvement Program (a six year plan). Budgets are also adopted for certain Special Revenue Funds and all Enterprise and Internal Service Funds. The formulation of the County’s budget is the responsibility of the Budget Director. Public local law and the County Charter both require that a balanced budget be adopted by the County Council.

### **General Fund Budget**

The General Fund Budget is prepared and submitted to the County Council by the County Executive based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. As submitted to the County Council, the General Fund Budget must reserve fund balance in excess of 7 percent of the prior year’s General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis, if any; estimates of taxes and other revenues sufficient to balance said budget; recommended appropriations for current expenditures for each department, agency and non-departmental account and transfers to the Board of Education, Frederick Community College and Frederick County Public Libraries; amounts sufficient to meet all general obligation debt service requirements; and portions of the Capital Improvement Program to be financed out of current revenues during said fiscal year.

### **Operating and Capital Budgets and Capital Improvement Program**

No department or agency of the County government may, during any fiscal year, expend or contract to expend any money or incur any liability or enter into any contract which by its terms involves the expenditure of money in excess of the amounts appropriated in the budget for such fiscal year. No payment may be made, or any liability incurred, which has not been provided for in the Operating or Capital Budget. Funds resulting from the issuance of bonds, certificates of indebtedness, notes or other obligations of the County may be expended only for authorized purchases of capital assets. Transfer of appropriations among the items set forth therein may be authorized in accordance with the County Charter Section 509 and further delegated in Budget Adoption Ordinance No. 19-01-001.

The Capital Budget is the County’s plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Improvement Program sets forth the County’s plan of proposed capital projects to be undertaken in the ensuing fiscal year and the next five fiscal years and the proposed means of financing such projects. The Capital Budget and Capital Improvement Program are prepared by the County Executive in cooperation with the Budget Office, Finance Division, and Planning and Permitting Division from submissions by the County departments and agencies and must be approved by the County Council. The portion of the cost of the Capital Budget that is to be paid from current funds is included in the Operating Budget as a transfer to the Capital Budget where the expenditures are recorded.

### **Accounting System**

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate fiscal and accounting entity. The financial position and operations of each fund are accounted for with a self-balancing set of accounts recording revenue, other financing sources / uses and expenditures/expenses, together with all related assets, liabilities, deferred inflows /outflows and residual net position or fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special purposes, restrictions, or limitations.

### **Fund Structure**

The County reports its financial activity on Government-wide and Fund Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

The Government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The Statement of Net Position displays the financial position of the County as of the fiscal year end. Activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who use, purchase or directly benefit from goods, services or privileges provided by a given function or segment, and grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Fund Financial Statements are identified in the financial statements of the County and included in the County’s Comprehensive Annual

Financial Report located on the County's website ([www.frederickcountymd.gov](http://www.frederickcountymd.gov)). The fund types are: Governmental Funds, which include the General Fund, the Debt Service Fund, the Special Revenue Funds, and the Capital Project Fund; Proprietary Funds, which include the Enterprise Funds and Internal Service Funds; and Fiduciary Funds, which include Agency, Pension Trust, Other Post-Employment Benefits Trust and Length of Service Award Program Trust Funds. Details of the County's fund structure are set forth in the Notes to the Financial Statements. The revenues and expenditures/expenses of the County are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

### **Basis of Accounting**

As noted above, the Government-wide Financial Statements are reported using the economic resources measurement focus and the full accrual basis of accounting.

Relative to the Fund Financial Statements, the financial operations of the Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded at the time liabilities are incurred, except for interest on long-term debt which is considered an expenditure when due and accrued annual leave which is considered an expenditure when paid. In addition, an encumbrance system is employed in the General, Special Revenue, and Capital Project budgetary schedules to account for expenditure commitments resulting from approved purchase orders.

The financial operations of the Proprietary and Pension Trust Funds are maintained on the accrual basis of accounting, in which all revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The funds also use the full accrual basis of accounting to recognize assets and liabilities.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for fiscal year 2018. This was the thirty-fifth year (thirtieth consecutive year) that the County has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The County intends to continue to conform its Comprehensive Annual Financial Report to the Certificate of Achievement program requirements. .

### **Distinguished Budget Presentation Award**

The Budget Office received the GFOA's Distinguished Budget Presentation Award for the fiscal year 2019 and 2020 budgets. GFOA established this budget awards program in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting and then to recognize individual governments that succeed in achieving that goal. Documents submitted to the program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. This is the first year the County has submitted a budget document for consideration of this award.

This budget award is valid for a period of one year only. The County also intends to continue to conform its Budget Report to the Distinguished Budget Award program requirements.

## **CERTAIN REVENUES, EXPENDITURES AND FUND BALANCE TRENDS**

### **General**

The audited fiscal year 2018 financial statements can be found on the County's web site: [www.frederickcountymd.gov/reports](http://www.frederickcountymd.gov/reports)

The County records its transactions under various funds in conformity with GAAP as discussed under "BUDGET AND ACCOUNTING - Fund Structure" above. The largest of these funds is the General Fund, from which all general expenses of County government are paid and to which taxes and other revenues not specifically directed by law to be deposited in special funds, are deposited. In addition to the General Fund, several special revenue funds receive revenues from particular sources for specific purposes, all as prescribed by law.

The table on the following page indicates the County's General Fund revenues and expenditures for the fiscal years 2015-2019:

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**Frederick County Maryland**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis**

	<b>FY19*</b>	<b>FY18</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
<b>Revenues</b>					
Local property taxes	\$ 323,139,300	\$ 308,021,607	\$ 293,513,482	\$ 282,347,355	\$ 271,399,557
Local income taxes	236,272,580	217,210,924	202,906,047	203,361,507	195,202,656
Other local taxes	1,600,425	1,654,293	1,608,826	1,602,603	1,579,191
Recordation	24,436,375	21,452,057	22,963,906	21,009,823	17,702,621
Grants from federal government	477,000	818,673	461,269	1,052,588	273,790
Highway user	2,860,559	1,960,241	1,554,639	1,656,309	1,678,525
Other state grants	1,905,187	1,846,827	1,823,225	1,630,909	1,766,781
Investment earnings	4,300,801	2,008,672	1,048,731	474,786	263,472
Charges for services	11,669,643	11,948,627	11,206,423	10,292,152	9,694,734
Licenses and permits	6,703,007	5,870,061	5,531,434	4,781,330	4,094,070
Fines and forfeitures	42,367	88,920	59,936	80,584	87,555
Build America Bond Subsidy	-	-	-	791,728	790,025
Miscellaneous revenues	2,990,512	2,596,530	5,223,382	5,129,934	3,716,969
Total revenues	<u>616,397,756</u>	<u>575,477,432</u>	<u>547,901,300</u>	<u>534,211,608</u>	<u>508,249,946</u>
<b>Expenditures</b>					
Current					
General government	38,098,192	47,027,360	45,061,086	42,702,566	41,492,034
Public safety	118,898,293	112,028,385	108,586,616	101,561,405	99,945,158
Public works	30,664,668	20,533,439	18,188,598	19,658,739	19,474,469
Health	6,689,352	6,166,996	6,167,401	5,575,628	5,178,134
Social services	6,441,701	5,753,887	4,987,908	5,052,385	10,857,361
Education					
Board of education	283,468,557	271,000,287	257,446,123	249,371,572	241,491,204
Community college	17,657,766	16,567,453	15,806,893	15,127,919	14,544,914
Parks, recreation and culture	21,171,441	17,602,228	17,153,413	16,418,611	16,039,160
Conservation of natural resources	2,875,297	2,708,867	1,726,509	766,295	650,855
Community development and public housing	680,259	614,563	562,375	358,396	367,642
Economic development and opportunity	3,621,861	3,382,121	2,763,552	2,240,938	1,937,559
Non-departmental					
Debt service	-	-	-	39,172,046	36,993,979
Tax rebate to municipalities	4,702,795	4,480,156	4,232,919	4,172,702	4,078,383
State Department of Assessments and Taxation	724,248	848,028	809,966	835,161	748,544
Other employee benefits	1,071,500	305,451	303,499	280,166	1,237,438
Property and liability insurance	1,569,289	1,169,042	1,261,433	1,215,275	1,067,584
Indirect cost recovery	(2,852,532)	(2,849,639)	(2,642,807)	(2,270,899)	(2,236,943)
Other non-departmental & contingencies	6,160,347	453,816	3,038,456	5,123,789	1,396,080
Total expenditures	<u>541,643,034</u>	<u>507,792,440</u>	<u>485,453,940</u>	<u>507,362,694</u>	<u>495,263,555</u>
<b>Other financing sources (uses)</b>					
Transfers from					
Special revenue funds	-	-	-	74,216	3,884,860
Internal service funds	-	-	-	-	3,500,000
Enterprise funds	-	-	-	4,000,000	-
Proceeds from Refunding Bonds	-	-	-	34,820,000	51,136,827
Premium GO Bonds	-	-	-	1,329,309	1,967,228
Gain on sale of property	-	-	-	-	350,000
Transfers to					
Capital projects funds	(16,649,782)	(14,954,639)	(13,055,192)	(12,539,709)	(13,903,287)
Special revenue funds	(6,653,957)	(6,234,579)	(6,139,510)	(5,440,406)	(5,729,755)
Internal service funds	(964,486)	(1,211,801)	(742,131)	(276,478)	(264,279)
Enterprise funds	-	-	(2,999,332)	-	-
Debt service fund	(42,000,000)	(40,533,525)	(41,215,501)	-	-
Payment to Refunding Agent	-	-	-	(34,523,170)	(49,815,235)
Payment to Refunding Lease Escrow	-	-	-	-	(910,517)
Total other financing sources (uses)	<u>(66,268,225)</u>	<u>(62,934,544)</u>	<u>(64,151,666)</u>	<u>(12,556,238)</u>	<u>(9,784,158)</u>
Total expenditures and other financing uses	<u>607,911,260</u>	<u>570,726,984</u>	<u>549,605,606</u>	<u>519,918,932</u>	<u>505,047,713</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	8,486,496	4,750,448	(1,704,306)	14,292,676	3,202,233
Change in fund balance	<u><u>\$ 8,486,496</u></u>	<u><u>\$ 4,750,448</u></u>	<u><u>\$ (1,704,306)</u></u>	<u><u>\$ 14,292,676</u></u>	<u><u>\$ 3,202,233</u></u>

\* Fiscal Year 2019 estimated.

Source: Frederick County Finance Division.

## Taxes

Ad valorem property taxes remain the County's most important source of revenues, estimated at 52.56% of total General Fund revenues and 55.34% of total local General Fund tax revenues in fiscal year 2019. By comparison, in fiscal year 2015, these percentages were 53.40% and 55.86%, respectively.

The following table represents the County's actual principal tax revenues by source for each of the five fiscal years 2015-2019:

	General Property			
	Total Local Taxes	Taxes (1)	Income Taxes	Other Local Taxes
2019*	\$ 585,407,042	\$ 323,970,242	\$ 235,400,000	\$ 26,036,800
2018	548,338,881	308,021,607	217,210,924	23,106,350
2017	520,992,261	293,513,482	202,906,047	24,572,732
2016	508,321,288	282,347,355	203,361,507	22,612,426
2015	485,884,025	271,399,557	195,202,656	19,281,812

\*Fiscal Year 2019 are estimated.

(1) Includes payment in lieu of taxes, additions and abatements, interest on taxes and tax credits.

Source: Frederick County Finance Division.

## Property Taxes

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency. In February 2008 the County imposed a personal property tax applicable to all fiscal years beginning after June 30, 2008. The tax is applicable only to the one subclass of personal property (machinery and equipment, other than operating personal property of a public utility that is used to generate (i) electricity or steam for sale, or (ii) hot or chilled water for sale that is used to heat or cool a building). For State and County real property tax purposes, real property is valued at the currently phased-in market value. All property is reassessed once every three years and any increase in value arising from such assessment is phased in over the ensuing three taxable years in equal annual installments.

A tax credit is permitted against local real property taxes on certain owner-occupied residential property. The tax credit for tax years 1991-1992 and thereafter was computed by multiplying the prior year's taxable assessment by a percentage of between 100% and 110% (as determined by the State, each county and each municipality), subtracting that amount from the current year's assessment, and multiplying the difference, if it is positive, by the applicable tax rate.

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. This credit can be supplemented at the local level. For fiscal year 2019 and 2020, the County has budgeted \$3,250,000 in tax credits which is entirely reimbursable from the State. In 2006, the County chose to supplement this credit, however subsequently the State expanded its credit eligibility, thereby substantially lessening the effect of the County's action. On January 3, 2012 the former Board of County Commissioners approved an additional supplement as a Senior Tax Credit effective for fiscal year 2013. The anticipated annual fiscal impact for both County supplements is budgeted as \$741,300 for fiscal year 2019 and \$750,000 for fiscal year 2020. Other budgeted tax credits not reimbursed by the State include \$1,000 for historic districts, \$90,000 for rehabilitated vacant commercial structures, and \$1,174,000 for agriculture land and buildings. The fiscal year 2020 budget remains the same for historic district tax credits, while the credit for rehabilitated vacant commercial structures increased to \$120,000 and the agricultural land and buildings increased to \$1,200,000 in fiscal year 2020.

Exemptions from State and County property taxation include public property; property owned by religious groups or organizations for public religious worship; property owned by charitable, fraternal, benevolent, educational and literary organizations; property owned by a national organization of veterans; property owned by historical societies and museums; property owned by fire companies and rescue squads; operating property owned by railroad and transportation companies (exempt from State taxation only); tangible personal property of certain domestic corporations, savings institutions and commercial banks; inventory, manufacturing equipment, manufacturing inventory and certain rolling stock (exempt from local taxation only); vessels, aircraft and motor vehicles; farming implements, certain agricultural products and commodities; all personal property located at a taxpayer's place of residence other than property used in connection with any business, occupation or profession; tools of mechanics or artisans; and non-operating property of public utilities and contract carriers (exempt from State taxation only).

The following table sets forth the assessment of all taxable property in the County for fiscal years 2015-2019 and the County and State tax rates applicable in each of those years. The projected June 30, 2019 assessment of tax exempt property owned by federal, State and County governments, churches, schools, fraternal organizations, cemeteries, disabled and the blind aggregated \$3,209,623,273. Under applicable law, there are no limits on the rates of property taxes.

**Assessments and Tax Rates of All Taxable Property by Class**  
**(Fiscal Years Ended June 30)**

	<b>FY 2020*</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>
Assessments						
Real Property	\$34,464,580,000	\$30,689,657,964	\$28,989,980,577	\$ 27,973,297,332	\$26,885,066,058	\$ 26,014,847,023
Public Utilities	433,697,000	416,801,030	386,072,190	374,887,120	342,546,890	302,584,420
Total Base	<u>\$34,898,277,000</u>	<u>\$31,106,458,994</u>	<u>\$29,376,052,767</u>	<u>\$ 28,348,184,452</u>	<u>\$27,227,612,948</u>	<u>\$ 26,317,431,443</u>
County Tax Rate						
(Per \$100 of Assessment)	\$1.060	\$1.060	\$1.060	\$1.060	\$1.060	\$1.060
State Tax Rate						
(Per \$100 of Assessment)	\$0.112	\$0.112	\$0.112	\$0.112	\$0.112	\$0.112

\* Fiscal Year 2020 assessments based on budgetary estimates.

Source: Frederick County Finance Division.

There are residents who live in municipalities within the County and therefore pay property taxes to both the County and municipality for services that are only provided by the municipality. Prior to fiscal year 2013, all municipalities received a tax rebate or direct payment for the cost of services provided by the municipality but taxed by the County. Maryland code governs the procedure for setting a differential rate in the municipalities, and in fiscal year 2014, the City of Frederick and Myersville decided to take advantage of the differential rate rather than receive a tax rebate. The fiscal year 2019 and 2020 differential tax rates are shown below. The County and State tax rates remain the same for fiscal year 2020 as in prior years.

	<b>2020</b>	<b>2019</b>
County Frederick City Differential (Per \$100 of Assessment)	\$ 0.9423	\$ 0.9143
County Myersville Differential (Per \$100 of Assessment)	\$ 0.9325	\$ 0.9333

Source: Frederick County Treasurer's Office.

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The following table lists the 20 largest taxpayers in the County and the assessment of their property for fiscal year 2019:

Name of Taxpayer	Assessment	Percentage of Total County Taxable Assessments
Potomac Edison Company	\$ 188,864,950	0.0061
AstraZeneca Pharmaceuticals	116,227,000	0.3736
RIV 402, LLC	99,260,367	0.3191
PR Financial Limited Partnership	80,423,300	0.2585
Costco Wholesale Corporation	66,710,800	0.2145
Dominion Transmission Corp	59,873,220	0.1925
Homewood at Frederick MD Inc	55,238,400	0.1776
River X LLC	53,949,267	0.1734
Washington Gas Light Company	53,783,900	0.1729
YBC Investors LLC	50,674,900	0.1629
TRE HSC Prospect LLC	49,939,100	0.1605
Verizon	48,778,430	0.1568
Centennial Clearbook LLC	46,411,633	0.1492
MFIV Urban Green LLC	45,875,200	0.1475
I&G Direct Real Estate 23 LP	45,531,400	0.1464
Frederick Westview Properties LLC	43,868,600	0.1410
Writ Frederick Crossing Land LLC	39,492,000	0.1270
Fannie Mae	38,691,900	0.1244
LSREF2 Tractor REO (Frederick) LLC	38,294,467	0.1231
Elite Street Capital Crystal	37,697,967	0.1212
Total:	<u>\$ 1,259,586,801</u>	<u>3.4482</u>

Source: Frederick County Treasurer's Office.

## Tax Levies and Collections

Property taxes are levied as of July 1. Effective July 1, 2000, taxes on owner-occupied residential real property may be paid in two installments: one by September 30, and one by December 31. Discounts for timely payments are allowed through August 31 and taxes due and not paid by September 30 are subject to interest and penalties at a rate of 1% per month for each month or fraction thereof that taxes remain unpaid. Tax liens on real property are sold at public auction the second Monday in May when taxes have remained delinquent during the current fiscal year.

The County bills and collects its own property taxes and those of the State and municipalities. County property tax revenues are recognized when levied to the extent that they result in current receivables. State and municipality property taxes collected are remitted to the State and municipalities.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years:

Fiscal Year	Total Tax Levy (Adjusted Levy)	Current Year's Taxes Collected in Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage of Adjusted Levy
2019*...	\$ 308,331,880	\$ 307,982,476	99.89%		\$ 307,982,476	99.89%
2018...	293,982,642	293,695,909	99.90%	\$228,608	293,924,517	99.98%
2017...	280,484,941	280,316,897	99.94%	125,479	280,442,376	99.98%
2016...	269,217,671	269,144,537	99.97%	(176,796)	268,967,741	99.91%
2015...	260,196,562	260,153,968	99.98%	13,923	260,167,891	99.99%

Source: Frederick County Treasurer's Office.

\*2019 is estimated as of June 30, 2019.

## Income Tax

The State imposes an income tax on the adjusted gross income of individuals for federal income tax purposes, subject to certain adjustments. Beginning tax year 2013, the personal State income tax rate is graduated up to 5.75%. Each county and Baltimore City must levy a local income tax at the rate of at least 1.75% of Maryland taxable income, but not in excess of 3.20%. The County's income tax rate is 2.96%, and has been the same since 2002. Local income tax is budgeted at \$227,145,067 for fiscal year 2020.

## Other Local Taxes

In addition to property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in fiscal year 2019 are estimated at \$41.9 million (including General Fund estimated revenues of \$24.4 million). The budget for fiscal year 2020 is \$38,766,010 (including General Fund revenues of \$22,031,887). Effective January 1, 2017, the allocation of recordation taxes was restored to levels established prior to January 1, 2012. The allocations shown below show the return of funding to the Agricultural Preservation and the Parks Acquisition & Development Funds. In fiscal year 2019 1.5% of the recordation tax collections were transferred to the Housing Initiative Fund's Deferred Loan Program, from the General Fund. The fiscal year 2020 adopted budget allocated 1.5% of recordation tax collections to the Housing Initiative Fund and reduced the allocation to the General Fund respectively. Proposed legislation is currently under review by the County Council to make this allocation permanent, with an increase in fiscal year 2021 to 1.5%, fiscal year 2022 to 2.0% and fiscal year 2023 and thereafter to 2.5%. The rates listed below include the proposed change in legislation:

### Recordation Tax Allocations

	2020	2019	2018	2017	2014	2012
General Fund	56.833%	58.333%	58.333%	58.333%	68.333%	64.166%
School Construction Fund	16.667%	16.667%	16.667%	16.667%	16.667%	16.667%
Agricultural Preservation Fund	12.500%	12.500%	12.500%	12.500%	10.000%	10.000%
Parks Acquisition & Development Fund	12.500%	12.500%	12.500%	12.500%	5.000%	5.000%
Housing Initiative Fund	1.500%	0.000%	0.000%	0.000%	0.000%	0.000%
CCRC Construction Fund	0.000%	0.000%	0.000%	0.000%	0.000%	4.167%

Source: Frederick County Finance Division.

## State and Federal Financial Assistance

The County receives grants from the federal and State governments for use in the General, Special Revenue, and Capital Projects Funds. In addition, the Board of Education, Frederick Community College, and Frederick County Public Libraries receive grants directly from the federal and State governments.

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## Fund Balance Trends

### General Fund

	<b>FY 2019*</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>
<b>Nonspendable</b>	\$ 2,229,603	\$ 2,229,603	\$ 2,289,616	\$ 2,460,677	\$ 2,106,066
<b>Restricted</b>					
Debt Service	-	-	-	1,139,026	1,914,392
Other	927,941	948,467	1,144,725	672,059	369,974
<b>Committed</b>					
Enabling Legislation **	37,571,189	33,006,509	29,127,236	25,297,566	24,763,178
Bond Rating Enhancement	100,000	100,000	500,000	2,700,000	2,700,000
Year 1 Budget	25,796,471	22,698,108	31,257,192	25,007,730	19,883,347
Year 2 Budget	33,528,992	25,763,352	22,698,108	31,257,192	23,054,531
Fuel Reserve	-	-	-	549,420	41,265
LOSAP	283,000	336,818	484,818	484,819	258,996
Severe Weather	1,449,900	1,409,900	1,200,000	-	-
Permanent Public Improvement	25,074	50,000	180,000	176,000	176,000
<b>Assigned</b>					
Revenue Stabilization	7,578,176	11,467,382	1,000,000	-	-
Lobbying Monitoring/Other	-	-	-	-	350,000
Income Taxes (Wynne Case)	150,000	150,000	580,989	2,883,627	2,883,627
Encumbrances	2,667,710	2,667,710	3,606,677	2,868,603	1,872,123
Other	1,268,457	1,594,457	913,633	404,825	-
<b>Unassigned</b>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Other	<u>\$ 113,876,513</u>	<u>\$ 102,722,306</u>	<u>\$ 95,282,994</u>	<u>\$ 96,201,544</u>	<u>\$ 80,673,499</u>

\*Estimates as of June 30, 2019.

\*\*5% set aside required prior to Fiscal Year 2017. 6% set aside required Fiscal Year 2017. 6.5% set aside required Fiscal Year 2018. 7% set aside required Fiscal Year 2019.

Source: Frederick County Finance Division.

Section 2-7-1(a) (2) of the Frederick County, Maryland Code of Ordinances provides for the County to maintain a committed General Fund balance equal to 5 percent of General Fund expenditures and transfer to the Board of Education and Frederick Community College on a budgetary basis. This commitment has been gradually increased to 7.0% as of fiscal year 2019. As of June 30, 2019, the estimated required balance is \$37,571,189. This is classified as "committed" fund balance in accordance with the promulgations of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Due to the restricting nature of the set-aside, it is reported as restricted net position in the governmental activities column of the government-wide Statement of Net Position.

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**Special Revenue Funds – Available Fund Balances for Debt Service as of June 30:**

	<b>FY2019*</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
<b>Recordation Taxes</b>						
<b>School Construction</b>						
Fund Balance	\$ 13,819,637	\$ 12,653,576	\$ 11,639,452	\$ 12,204,208	\$ 11,654,409	\$ 10,728,938
Available Fund Balance for Debt Service	10,081,968	10,474,576	10,296,952	9,204,208	10,654,409	10,728,938
<b>Parks Acquisition &amp; Development</b>						
Fund Balance	2,863,709	7,457,992	2,783,718	2,240,266	1,301,306	1,553,877
Available Fund Balance for Debt Service	400,633	(2,564,788)	2,783,718	(351,294)	750,306	71,877
<b>Impact Fees</b>						
Fund Balance	63,207,013	38,686,363	43,823,554	31,516,389	21,914,790	16,745,497
Available Fund Balance for Debt Service	48,065,689	29,412,939	17,523,485	26,187,389	21,862,790	15,455,497
<b>Totals</b>						
Fund Balance	<u>79,890,359</u>	<u>58,797,931</u>	<u>58,246,724</u>	<u>45,960,863</u>	<u>34,870,505</u>	<u>29,028,312</u>
Available Fund Balance for Debt Service	<u>\$ 58,548,290</u>	<u>\$ 37,322,727</u>	<u>\$ 30,604,155</u>	<u>\$ 35,040,303</u>	<u>\$ 33,267,505</u>	<u>\$ 26,256,312</u>
<b>Current Year's Debt Service</b>	<b>11,971,182</b>	<b>11,453,087</b>	<b>11,342,526</b>	<b>11,851,250</b>	<b>11,563,393</b>	<b>11,288,710</b>
<b>Debt Service Coverage</b>	<b>4.89</b>	<b>3.26</b>	<b>2.70</b>	<b>2.96</b>	<b>2.88</b>	<b>2.33</b>

\*Estimates as of June 30, 2019.

Source: Frederick County Finance Division.

**Water and Sewer Enterprise Fund**

Water and sewer user charges are recorded when earned and expenses are recognized when they have been incurred based on the accrual basis of accounting. Unpaid water and sewer user charges are a lien on the real property served and are collectible in the same manner as real property taxes.

For fiscal year 2018, the Water and Sewer Enterprise Fund reported \$14,792,635 of connection fees and \$10,434,530 in developer/municipal contributions for a total capital contribution of \$25,227,165. Overall for fiscal year 2018, net position increased \$23,075,238 consisting of (\$1,984,967) net loss, (\$166,960) transfer to Fleet Services and \$25,227,165 in capital contributions. Fiscal year 2019 reflects estimated connection fees of \$22.7 million and \$17.5 million of developer / municipal contributions, as well as an increase of \$34.1 million in net position.

The Water and Sewer Enterprise Fund reported total Net Position of \$562,659,171 for fiscal year 2018. Of this amount, \$436,761,053 was net investment in capital assets, \$18,639,234 was restricted for capital projects, \$19,185,276 was restricted for debt service and \$88,073,608 was unrestricted.

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The following table summarizes the revenues and expenses of the Water and Sewer Enterprise Fund for the five most recent fiscal years:

**Water and Sewer Enterprise Fund**  
**Schedule of Revenues and Expenses & Change in Net Position**  
**For the Fiscal Years ending June 30**

	<b>2019*</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating revenues</b>					
Water and sewer charges	\$ 37,861,364	\$ 36,856,313	\$ 32,849,301	\$ 29,939,536	\$ 27,838,558
Delinquent Fees	79,993	65,736	78,371	79,464	67,251
Other sources	<u>2,891,316</u>	<u>2,975,706</u>	<u>1,669,465</u>	<u>1,381,630</u>	<u>1,029,924</u>
Total operating revenues	<u>40,832,673</u>	<u>39,897,755</u>	<u>34,597,137</u>	<u>31,400,630</u>	<u>28,935,733</u>
<b>Operating expenses</b>					
Personnel services	10,051,078	9,801,595	9,625,764	9,211,580	9,160,376
Operating expenses	7,972,133	7,724,248	7,507,318	8,350,154	8,036,724
Insurance	403,731	402,130	391,692	334,541	314,504
Supplies	<u>2,628,557</u>	<u>2,332,856</u>	<u>2,215,201</u>	<u>2,060,483</u>	<u>1,741,090</u>
Repairs and maintenance	3,835,347	3,196,037	3,598,384	3,023,257	2,344,768
Depreciation expense	<u>14,037,844</u>	<u>13,961,844</u>	<u>13,377,824</u>	<u>11,780,067</u>	<u>9,798,865</u>
Total operating expenses	<u>38,928,690</u>	<u>37,418,710</u>	<u>36,716,183</u>	<u>34,760,082</u>	<u>31,396,327</u>
Operating income (loss)	<u>1,903,983</u>	<u>2,479,045</u>	<u>(2,119,046)</u>	<u>(3,359,452)</u>	<u>(2,460,594)</u>
<b>Nonoperating revenues (expenses)</b>					
Investment income	2,884,795	1,410,278	730,726	390,185	303,840
Miscellaneous Income (expense)	(5,686,255)	(1,867,280)	(9,304)	-	-
Build America Bonds Subsidy	362,471	364,816	378,251	327,717	328,633
Interest expense	(4,596,537)	(4,378,081)	(4,360,429)	(4,394,013)	(3,570,328)
Gain (Loss) on disposition of capital assets	<u>1,194</u>	<u>6,255</u>	<u>2,361</u>	<u>(228,800)</u>	<u>(419,132)</u>
Total nonoperating revenues (expenses)	<u>(7,034,332)</u>	<u>(4,464,012)</u>	<u>(3,258,395)</u>	<u>(3,904,911)</u>	<u>(3,356,987)</u>
<b>Net Income (Loss) Before Capital Contributions and Transfers</b>					
Contributions and Transfers	<u>(5,130,349)</u>	<u>(1,984,967)</u>	<u>(5,377,441)</u>	<u>(7,264,363)</u>	<u>(5,817,581)</u>
Capital Contributions	40,186,075	25,227,165	38,754,531	21,740,182	24,576,946
Transfers in	-	-	-	-	-
Transfers out	(975,382)	(166,960)	(57,342)	-	-
Total contributions and transfers	<u>39,210,693</u>	<u>25,060,205</u>	<u>38,697,189</u>	<u>21,740,182</u>	<u>24,576,946</u>
Change in Net Position	<u>\$ 34,080,344</u>	<u>\$ 23,075,238</u>	<u>\$ 33,319,748</u>	<u>\$ 14,475,819</u>	<u>\$ 18,759,365</u>

Source: Frederick County Finance Division.

\* Fiscal Year 2019 Projected as of June 30, 2019.

## Solid Waste Management Enterprise Fund

As of July 1, 1989, the Solid Waste Management Enterprise Fund was established to account for the operations of the County landfill and future solid waste activities. Revenues from user fees are the primary source of funds for operations, debt service payments and capital projects.

Landfill user charges (tipping fees) are recorded as revenues when billed. Unpaid tipping fees are assessed interest at the rate of 1% per month and access is denied to landfill users whose accounts are over 60 days past due.

The following table summarizes the revenues and expenses of the Solid Waste Management Enterprise Fund for the five most recent fiscal years:

**Solid Waste Management Enterprise Fund**  
**Schedule of Revenues and Expenses & Change in Net Position**  
**For the Fiscal Years ending June 30**

	<b>2019*</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating revenues</b>					
Tipping Fee Charges	\$ 14,871,964	\$ 13,170,654	\$ 11,760,684	\$ 12,017,937	\$ 11,843,388
System Benefit Charges	10,666,741	10,337,487	10,178,710	10,107,446	10,035,523
Recycling	1,861,217	2,036,634	2,779,849	2,244,093	2,587,209
Delinquent Fees	67,832	66,610	67,176	58,986	54,770
Miscellaneous Operating Revenues	70,242	110,174	209,008	235,636	187,400
Landfill Gas Revenues	-	198,943	243,475	288,000	243,475
Total operating revenues	<u>27,537,996</u>	<u>25,920,502</u>	<u>25,238,902</u>	<u>24,952,098</u>	<u>24,951,765</u>
<b>Operating expenses</b>					
Personnel services	2,661,482	2,460,714	2,306,096	2,217,844	2,156,309
Operating expenses	1,157,900	6,855,876	951,087	1,602,100	1,206,555
Insurance	65,345	50,180	47,256	55,868	52,750
Supplies	27,202	31,478	32,089	31,597	59,055
Repairs and maintenance	239,030	319,706	259,884	270,309	299,445
Transfer expense	9,962,013	8,742,116	7,680,942	7,939,907	7,894,102
Recycling	7,501,447	7,131,950	6,751,263	6,327,878	6,087,461
Depreciation expense	1,220,777	1,160,231	1,114,622	1,010,877	956,719
Total operating expenses	<u>22,835,196</u>	<u>26,752,251</u>	<u>19,143,239</u>	<u>19,456,380</u>	<u>18,712,396</u>
Operating income (loss)	<u>4,702,800</u>	<u>(831,749)</u>	<u>6,095,663</u>	<u>5,495,718</u>	<u>6,239,369</u>
<b>Nonoperating revenues (expenses)</b>					
Investment income	1,256,970	668,079	290,941	140,746	61,083
Miscellaneous Income (expense)	-	-	-	366	(437,216)
Build America Bonds Subsidy	9,493	9,557	9,902	8,584	8,607
Interest expense	(441,988)	(531,020)	(573,242)	(610,451)	(692,892)
Gain (Loss) on disposition of capital assets	2,173	7,800	(29,145)	-	-
Total nonoperating revenues (expenses)	<u>826,648</u>	<u>154,416</u>	<u>(301,544)</u>	<u>(460,755)</u>	<u>(1,060,418)</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>5,529,448</u>	<u>(677,333)</u>	<u>5,794,119</u>	<u>5,034,963</u>	<u>5,178,951</u>
Capital Contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(4,000,000)	-
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000,000)</u>	<u>-</u>
Change in Net Position	<u>\$ 5,529,448</u>	<u>\$ (677,333)</u>	<u>\$ 5,794,119</u>	<u>\$ 1,034,963</u>	<u>\$ 5,178,951</u>

Source: Frederick County Finance Division.

\*Fiscal Year 2019 Projected as of June 30, 2019.

## CERTAIN DEBT INFORMATION

### Bonded Indebtedness of the County

The County has the power to incur debt without specific enabling legislation from the Maryland General Assembly. The aggregate amount of County general obligation debt is limited to an amount equal to a total of five percent of the assessable basis of real property of the County and fifteen percent of the County's assessable basis of personal property and operating real property. As of July 1, 2019, this limit is estimated at approximately \$950 million. This limit does not apply to the following categories of debt: tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months; debt payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or community development authorities; and debt issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services.

Incurrence of debt is authorized by legislation enacted by the County Council and approved by the County Executive in accordance with the provisions of the Charter. All such legislation may be referred to the voters of the County for referendum if a petition signed by at least seven percent of the registered voters of the County is filed with the Board of Elections for the County no later than fifty-nine days following the date the legislation is enacted. In addition, the County may (i) incur debt for the purpose of providing funds for the construction of water, sewage, drainage systems and solid waste systems, as long as the amount issued, less any sinking funds or reserves to pay such bonds, does not exceed 6% of the valuation of all legally assessable property within Frederick County subject to unlimited County taxation and (ii) incur debt for the purposes of providing funds for the construction and improvement of public schools per Sections 5.601- 5.604 of the Education Volume of the Annotated Code of Maryland, as amended. The County also continues to utilize the existing borrowing authority of Chapter 54 of the Laws of Maryland of 2012 during the transition from the former County Commissioners form of government to the current charter form of government.

Except as described in "COUNTY GOVERNMENT AND ADMINISTRATION - Leases and Other Contracts" above, the County is not a party to any long-term leases, lease-purchase obligations, joint ventures, guaranteed debt, "moral obligation" indebtedness, output or supply contracts, take or pay or similar contracts or any other form of contingency indebtedness that does not appear on its balance sheet.

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## Schedule of Long-Term Loans and Bonded Indebtedness

The table below sets forth the amount of the County's long-term general obligation bonded indebtedness issued and outstanding as of June 30, 2019.

	Date of Debt Issue	Date of Debt Maturity	Amount of Original Issue	Amount Outstanding 6/30/2019
<b>General Government Debt</b>				
MD Industrial Land Act Loan - State Farm	5/12/1994	5/12/2021	\$181,059	\$26,100
Public Facilities Refunding Bonds of 2006	2/1/2006	11/1/2022	12,608,476	10,438,444
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	47,213,456	5,161,179
Public Facilities Bonds of 2010B (BAB)	1/26/2010	2/1/2030	71,261,044	63,241,044
Public Facilities Bonds of 2010C Refunding	4/27/2010	12/1/2020	57,786,283	12,274,240
Public Facilities Bonds of 2011, Series A	8/4/2011	8/1/2031	55,810,000	4,545,000
Public Facilities Refunding Bonds of 2012	2/9/2012	8/1/2017	59,842,669	38,188,177
Public Facilities Refunding Bonds of 2012B - Taxable	8/23/2012	8/1/2020	51,946,393	16,065,546
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	26,800,000	20,540,986
Public Facilities Bonds of 2014, Series A	7/8/2014	8/1/2034	32,117,727	17,648,827
Public Facilities Refunding Bonds of 2014, Series C	11/25/2014	6/1/2028	12,429,335	12,403,309
Public Facilities Refunding Bonds of 2015, Series A	3/19/2015	6/1/2027	8,061,868	7,860,393
Public Facilities Bonds of 2016, Series A	6/29/2016	8/1/2036	77,186,341	72,211,096
Public Facilities Ref Bonds of 2017A (2020 Crossover)	4/11/2017	2/1/2030	56,901,147	56,901,147
Public Facilities Ref Bonds of 2017B	12/20/2017	8/1/2031	35,860,543	35,588,242
Public Facilities Bonds of 2018A	3/7/2018	8/1/2037	84,465,639	81,471,845
FY2017 Capital Lease	5/19/2017	4/1/2027	3,704,232	2,879,435
FY2019 Capital Lease	11/16/2018	10/1/2025	7,008,003	6,661,427
Installment Purchase Agreements	VARIOUS	VARIOUS	50,654,101	50,654,101
Total General Government Debt			\$751,838,316	\$514,760,538
Less: Installment Purchase Agreements			(50,654,101)	(50,654,101)
Less: Capital Leases			(10,712,235)	(9,540,862)
Less: Notes Payable			(181,059)	(26,100)
Total Serial Bond General Government Debt			<u>\$690,290,921</u>	<u>\$454,539,475</u>
<b>Proprietary Fund Debt</b>				
Maryland Department of the Environment Loans	VARIOUS	VARIOUS	\$76,590,085	\$49,653,340
Public Facilities Refunding Bonds of 2006	2/1/2006	11/1/2022	7,756,524	6,421,556
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	12,491,544	1,538,821
Public Facilities Bonds of 2010B (BAB)	1/26/2010	2/1/2020	18,853,956	18,853,956
Public Facilities Bonds of 2010C Refunding	4/27/2010	12/1/2020	21,578,717	4,635,760
Public Facilities Refunding Bonds of 2012	2/9/2012	8/1/2024	25,232,331	20,741,823
Public Facilities Refunding Bonds of 2012B - Taxable	8/23/2012	8/1/2020	9,423,607	2,914,454
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	4,650,000	3,564,014
Public Facilities Bonds of 2014, Series A	7/8/2014	8/1/2034	2,677,273	1,471,173
Public Facilities Refunding Bonds of 2014, Series C	11/25/2014	6/1/2028	4,285,665	4,276,691
Public Facilities Refunding Bonds of 2015, Series A	3/19/2015	6/1/2027	5,943,132	5,794,607
Public Facilities Refunding Bonds of 2016, Series A	6/29/2016	8/1/2036	8,218,659	7,688,904
Public Facilities Refunding Bonds of 2016, Series B	6/29/2016	8/1/2036	34,820,000	31,975,000
Public Facilities Ref Bonds of 2017A (2020 Crossover)	4/11/2017	2/1/2030	16,963,853	16,963,853
Public Facilities Ref Bonds of 2017B	12/20/2017	8/1/2031	824,457	801,758
Public Facilities Bonds of 2018A	3/7/2018	8/1/2037	15,269,361	14,728,155
FY2016 Capital Lease	3/4/2016	3/4/2021	287,798	117,900
FY2019 Capital Lease	11/16/2018	10/1/2025	212,000	201,516
Total Proprietary Debt			<u>\$266,078,962</u>	<u>\$192,343,281</u>
Less: Capital Lease			(499,798)	(319,416)
Less: MDE Loans			(76,590,085)	(49,653,340)
Total Serial Bond Proprietary Debt			<u>188,989,079</u>	<u>142,370,525</u>
Total Serial Bond Long-Term Indebtedness			<u><u>\$879,280,000</u></u>	<u><u>\$596,910,000</u></u>

Source: Frederick County Finance Division.

## **Maryland Department of the Environment Loans**

The Department of the Environment of the State of Maryland (“MDE”) through the Maryland Water Quality Financing Administration, makes funds available to local governments at below market interest rates for certain water quality and drinking water projects. Proceeds of the loans are dispersed to the County as draws according to construction payments.

The County has been a participant in the MDE’s loan program since fiscal year 1992. As of June 30, 2019, the County has authorized and approved borrowings in an aggregate principal amount of \$95,456,559 for ten water and sewer loans. The County has also authorized and approved borrowings in an aggregate principal amount of \$23,083,532 for three solid waste loans. The outstanding principal on these MDE loans as of June 30, 2019 is \$49,653,340. These loans have interest rates of 0.80 – 3.48%.

On June 20, 2013, the County entered into two loan agreements with the Maryland Department of the Environment (MDE) for the purpose of replacing the aging water distribution system located in the Village of Rosemont. The principal amount approved for the first loan to be repaid to MDE is \$202,455, maturing on February 1, 2036. The second loan was approved in the amount of \$1,500,000. At any time prior to June 20, 2023, the principal advanced under the second loan agreement shall be payable in full on demand. MDE has agreed to forgive the repayment of the principal amount of the loan and interest payable, so long as the County performs all of its other obligations under the loan agreement. As of June 30, 2017, \$202,455 of the first loan and \$1,417,182 of the second loan have been drawn.

## **Maryland Industrial Land Act Loans**

The County had an outstanding loan from the Department of Business and Economic Development of the State in the original amount of \$181,059 under the Maryland Industrial Land Act, Article 83A, Section 5-401 *et. seq.* of the Maryland Annotated Code. The proceeds of this loan have been reloaned to a private user to assist in the financing of certain street and site improvements in the County. The loan is a full faith and credit obligation of the County. The outstanding balance of this loan as of June 30, 2019 was \$26,100.

## **Other Loans and Bonds**

### *Community Development Authority (Special Tax) Financing*

The County has issued special obligation bonds for Urbana, Villages of Lake Linganore, Jefferson Technology Park, and Oakdale-Lake Linganore Community Development Authorities. These bonds were for infrastructure costs within the boundaries of the respective Authorities. These bonds are secured by special taxes levied on the properties within the respective Authorities. These are limited obligation bonds and as such do not pledge the full faith and credit of the County.

### *Tax Increment Financing*

The County has issued Tax Increment Financing Bonds to finance a portion of the infrastructure in the Dudrow Industrial Park, Center Park, Jefferson Technology Park, and Oakdale-Lake Linganore Development Districts. The County surrenders its tax revenues on the incremental increase in property taxes within the districts to pay the debt service on these bonds. Cash and the related liability to bondholders are accounted for in an Agency Fund. These are limited obligation bonds and as such, do not pledge the full faith and credit of the County. More recent series of these bonds are supported by additional special tax assessments within the districts, if needed.

On March 6, 2014, the former Board of County Commissioners enacted ordinances and adopted resolutions creating the Oakdale-Lake Linganore Development District (the “Development District”), authorizing the issuance of special obligation bonds to finance infrastructure costs within the Development District, pledging certain incremental tax revenues to the payment of debt service on such bonds, and authorizing the levy of special taxes within the Development District to pay debt service on such bonds. These bonds were issued on November 14, 2014, as draw down bonds. As of June 30, 2019, the developer has drawn \$381,622 of the bond proceeds. The County anticipates that during fiscal year 2020 the bonds will be remarketed in a fixed-rate-to-maturity interest mode in an aggregate principal amount of approximately \$20 million, and that no further bonds will be issued for infrastructure costs within the Development District.

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Below is information on the current outstanding Tax Increment Financing and Community Development Authority bond issues.

<b>Conduit Borrower</b>	<b>TIF/CDA</b>	<b>Amount of Original Issue</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount Outstanding 6/30/2019</b>
Lake Linganore - Series 2001A	CDA-Term	1,957,000	02/05/01	07/01/20	5.600%	\$ 316,000
Lake Linganore - Series 2001A	CDA-Term	4,285,000	02/05/01	07/01/29	5.700%	2,375,000
Lake Linganore - Series 2007A	CDA-Loan	3,114,000	09/20/07	07/01/29	0.000%	1,725,912
Lake Linganore - Series 2007B	CDA-Loan	3,232,142	09/20/07	03/01/28	0.000%	1,630,142
Urbana CDA - Series 2010A	CDA-Serial	30,440,000	09/23/10	07/01/25	2.00-5.00%	18,280,000
Urbana CDA - Series 2010A	CDA-Term	20,455,000	09/23/10	07/01/30	4.400%	20,430,000
Urbana CDA - Series 2010A	CDA-Term	26,780,000	09/23/10	07/01/40	4.700%	26,750,000
Urbana CDA - Series 2010B	CDA-Term	20,020,000	09/23/10	07/01/40	5.500%	18,076,000
Jefferson Technology Park - Series 2013A	CDA-Serial	6,640,000	08/06/13	07/01/43	7.250%	6,560,000
Jefferson Technology Park - Series 2013B	TIF/CDA-Serial	33,360,000	08/06/13	07/01/43	7.125%	33,230,000
Oakdale-Lake Linganore - Series 2014B	TIF/CDA-Serial	7,750,000	11/14/14	07/01/44	2.000%	381,622
						<u><u>\$ 129,754,676</u></u>

Source: Frederick County Finance Division.

#### *Maryland Department of Housing and Community Development Loan*

The County is using the Bell Court Apartment project as residential rental units for lower income households. The deed of trust deferred all principal and interest payments to the Department of Housing and Community Development of the State of Maryland (DHCD), which loaned funds for the construction project, in perpetuity, provided contractual responsibilities were followed. Should the County cease to use the project for this purpose or refinance, sell, transfer or convey the project, the County would be obligated to DHCD for the principal and interest amount of the loan and other specified costs. The principal and interest and associated costs would also become immediately due if any encumbrance is placed upon the project without the prior written consent of DHCD or in the event of default as defined in the deed of trust. The principal amount of the loan is \$1,813,056.

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## Summary of Debt Service Requirements

The following tables illustrate the County's schedules of projected debt service requirements for outstanding long-term obligations as of June 30, 2019.

### Summary of Debt Service Requirements for Outstanding Long-Term Loans and Bonds

Fiscal Year	General Government Debt		Proprietary Debt		Total Long-Term Indebtedness		Total Indebtedness
	Principal	Interest	Principal*	Interest	Principal	Interest	
2020*	\$ 108,008,206	\$ 19,584,022	\$ 36,074,173	\$ 5,579,929	\$ 144,082,379	\$ 25,163,951	\$ 169,246,330
2021	36,375,801	16,143,685	16,278,228	4,512,317	52,654,029	20,656,002	73,310,031
2022	27,444,790	14,791,337	13,171,926	4,000,333	40,616,716	18,791,670	59,408,386
2023	32,502,125	13,736,687	13,560,413	3,574,055	46,062,538	17,310,742	63,373,280
2024	29,169,932	12,291,465	12,173,441	3,178,777	41,343,373	15,470,242	56,813,615
2025	29,728,818	10,929,727	12,522,850	2,802,231	42,251,668	13,731,958	55,983,626
2026	27,912,818	9,615,537	12,792,910	2,490,999	40,705,728	12,106,536	52,812,264
2027	30,060,206	8,474,844	12,688,341	2,144,290	42,748,547	10,619,134	53,367,681
2028	29,165,098	7,181,882	10,205,551	1,812,573	39,370,649	8,994,455	48,365,104
2029	25,585,060	5,882,163	9,135,964	1,532,447	34,721,024	7,414,610	42,135,634
2030	24,496,062	4,648,879	9,397,498	1,279,986	33,893,560	5,928,865	39,822,425
2031	20,047,846	3,627,818	7,470,626	1,020,742	27,518,472	4,648,560	32,167,032
2032	16,689,849	2,744,715	6,818,282	868,371	23,508,131	3,613,086	27,121,217
2033	14,430,180	2,273,803	3,898,380	561,303	18,328,560	2,835,106	21,163,666
2034	13,411,106	1,838,722	3,687,898	443,158	17,099,004	2,281,880	19,380,884
2035	13,431,250	1,397,999	3,805,918	328,104	17,237,168	1,726,103	18,963,271
2036	13,441,928	1,030,343	3,736,186	212,508	17,178,114	1,242,851	18,420,965
2037	13,027,597	597,859	3,853,002	95,854	16,880,599	693,713	17,574,312
2038	8,304,354	265,571	1,071,694	18,219	9,376,048	283,790	9,659,838
2039	1,527,512	82,023	-	-	1,527,512	82,023	1,609,535
Totals	<u>\$ 514,760,538</u>	<u>\$ 137,139,081</u>	<u>\$ 192,343,281</u>	<u>\$ 36,456,196</u>	<u>\$ 707,103,819</u>	<u>\$ 173,595,277</u>	<u>\$ 880,699,096</u>

Source: Frederick County Finance Division.

\* Fiscal Year 2020 reflects crossover payment of 2010B Bonds (\$83.9 million), which is fully funded by the 2017A Refunding bond escrow.

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**Schedule of Debt Service Requirements**  
**As Adjusted to Reflect the Issuance of the 2019A Bonds**

Fiscal Year as of June 30	Total Debt Service(1)	LESS: Refunded Bonds Debt Service(1)	General Obligation Public Facilities Bonds, Series 2019A		General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B		Adjusted Total Debt Service(1)
			Principal	Interest(2)	Principal	Interest(3)	
2020	\$169,246,330	\$764,975	\$0	\$1,400,653	\$0	\$264,275	\$170,146,283
2021	73,310,031	1,038,400	3,360,000	3,886,356	0	749,125	\$80,267,112
2022	59,408,386	1,038,400	3,530,000	3,714,106	0	749,125	\$66,363,217
2023	63,373,280	1,038,400	3,715,000	3,532,981	55,000	748,300	\$70,386,161
2024	56,813,615	1,038,400	3,905,000	3,342,481	125,000	745,600	\$63,893,296
2025	55,983,626	2,638,400	4,105,000	3,142,231	1,755,000	717,400	\$63,064,857
2026	52,812,264	2,623,400	4,315,000	2,931,731	1,830,000	663,625	\$59,929,220
2027	53,367,681	2,605,150	4,535,000	2,710,481	1,995,000	606,250	\$60,609,262
2028	48,365,104	2,614,600	4,770,000	2,477,856	2,065,000	545,350	\$55,608,710
2029	42,135,634	4,571,975	5,015,000	2,233,231	4,115,000	452,650	\$49,379,540
2030	39,822,425	4,581,025	5,270,000	1,976,106	4,225,000	348,675	\$47,061,181
2031	32,167,032	4,587,787	5,540,000	1,705,856	4,320,000	260,525	\$39,405,626
2032	27,121,217	2,496,562	5,765,000	1,480,881	2,305,000	190,134	\$34,365,671
2033	21,163,666	2,492,938	5,970,000	1,275,006	2,350,000	139,206	\$28,404,941
2034	19,380,884	2,496,125	6,160,000	1,086,306	2,410,000	85,656	\$26,626,722
2035	18,963,271	2,495,938	6,305,000	942,134	2,465,000	29,272	\$26,208,739
2036	18,420,965	0	6,460,000	786,513	0	0	\$25,667,478
2037	17,574,312	0	6,625,000	622,950	0	0	\$24,822,262
2038	9,659,838	0	6,790,000	455,263	0	0	\$16,905,101
2039	1,609,535	0	6,965,000	278,972	0	0	\$8,853,507
2040	0	0	7,145,000	93,778	0	0	\$7,238,778
<b>Total</b>	<b>\$880,699,096</b>	<b>\$39,122,475</b>	<b>\$106,245,000</b>	<b>\$40,075,875</b>	<b>\$30,015,000</b>	<b>\$7,295,168</b>	<b>\$1,025,207,665</b>

(1) Totals may not add due to rounding.

(2) Interest rates range from 2.250% to 5.000%.

(3) Interest rates range from 2.000% to 3.000%.

Source: Frederick County Finance Division and Davenport & Company.

*[The remainder of this page has been intentionally left blank]*

The following table sets forth the County's general obligation long-term debt (including notes payable, capital leases, and installment purchase agreements) per capita and ratio of debt to assessment for the five most recent fiscal years:

**Schedule of Debt Service Requirements**  
**As Adjusted to Reflect the Issuance of the Bonds**

<b>Fiscal Year</b>	<b>General Government</b>		<b>Debt to Assessment</b>	<b>Population (1)</b>	<b>Debt Per Capita</b>
	<b>Debt</b>	<b>Property Tax Assessment</b>			
2019...	\$ 514,760,538	\$ 30,689,657,964	1.68%	255648	\$ 2,014
2018...	549,476,863	29,758,193,877	1.85%	255265	2,153
2017...	505,330,594	28,348,184,452	1.78%	249,277	2,027
2016...	517,501,267	27,227,612,948	1.90%	246972	2,095
2015...	475,799,263	26,317,431,443	1.81%	243,692	1,952

(1) Population estimate from the Frederick County Division of Community Development.

(2) U.S. Census Bureau.

Source: Frederick County Finance Division.

The following table sets forth the County's General Fund debt service as a percentage of General Fund revenues for each of its five most recent fiscal years:

<b>Fiscal Year</b>	<b>General</b>		<b>Debt Service Percentage</b>
	<b>Fund Revenues</b>	<b>Expenditures</b>	
2019	\$ 616,397,756	\$ 47,969,439	7.78%
2018	575,477,432	42,208,482	7.33%
2017	547,901,300	38,226,549	6.98%
2016	534,211,608	39,172,046	7.33%
2015	508,249,946	36,993,979	7.28%

(1) County established a debt service fund in fiscal year 2017. The debt service expenditures above are recorded in the debt service funds and only include those not paid with other resources.

(2) Source: Frederick County Finance Division.

**Rapidity of Debt (Excluding Proposed Issue)**

<b>Number of Years</b>	<b>Principal Retired</b>	<b>Percent of Debt Retired</b>
5	\$ 324,759,035	45.93%
10	524,556,651	74.18%
15	644,904,378	91.20%
20	707,103,819	100.00%

Source: Frederick County Finance Division.

The following table sets forth the computation of direct and overlapping governmental activities debt of the municipalities within the County as of June 30, 2018:

<b>Jurisdiction</b>	<b>Debt Outstanding (1)</b>	<b>Percentage Applicable</b>	<b>Share of Direct and Overlapping Debt</b>
Brunswick	\$ 379,848	100%	\$ 379,848
Emmitsburg	227,952	100%	227,952
Frederick City	53,632,531	100%	53,632,531
Middletown	2,556,609	100%	2,556,609
Myersville	3,568,930	100%	3,568,930
Thurmont	669,000	100%	669,000
Frederick County Public Schools	25,476,195	100%	25,476,195
Frederick Community College	5,941,126	100%	5,941,126
<b>Total Overlapping Debt</b>			<b>92,452,191</b>
<b>Frederick County Direct Debt</b>			<b>549,476,863</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$ 641,929,054</b>

(1) Debt repaid by general government activities.

Source: Frederick County Finance Division.

## Capital Budget

The following table sets forth the different classes of capital projects and the amounts included in the Capital Budget for fiscal year 2020 and the amounts included in the Capital Improvement Program for the next five fiscal years indicated:

<b>Capital Budget - Program Requirements and Sources of Funds</b>						
<b>Project Categories</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
General Government	\$ 16,375,776	\$ 26,823,325	\$ 30,718,390	\$ 23,032,384	\$ 39,851,286	\$ 12,305,031
Parks and Recreation	4,922,371	11,820,613	3,357,078	11,681,190	2,866,955	2,181,497
Watershed Restoration & Retrofit	7,045,399	6,038,846	6,037,500	6,037,500	6,180,000	6,180,000
Roads	2,332,200	10,428,800	321,400	6,046,400	806,100	751,800
Bridges	3,687,900	2,763,300	1,560,100	456,200	2,096,300	1,236,100
Highways	25,478,154	21,824,700	24,595,450	21,294,700	20,249,700	20,249,700
Water & Sewer	37,390,600	25,016,500	21,740,000	21,549,000	27,238,000	82,299,300
Solid Waste	828,000	210,000	210,000	210,000	210,000	210,000
Community College	5,902,000	8,477,210	4,319,290	1,017,000	1,017,000	1,727,000
Board of Education	82,052,781	72,304,276	53,682,152	23,671,891	52,200,023	129,533,801
Municipalities	553,389	116,569	101,250	97,042	83,333	80,000
<b>Total - Projects</b>	<b>\$ 186,568,570</b>	<b>\$ 185,824,139</b>	<b>\$ 146,642,610</b>	<b>\$ 115,093,307</b>	<b>\$ 152,798,697</b>	<b>\$ 256,754,229</b>
<b>Sources of Funds</b>						
General Fund	\$ 20,003,295	\$ 19,318,565	\$ 18,719,140	\$ 17,932,087	\$ 22,008,324	\$ 22,454,763
General Fund Bond/Leases	59,887,217	69,004,086	56,368,033	47,240,753	58,956,611	73,379,500
Recordation Tax/Bonds	9,547,062	16,793,249	8,313,169	12,394,079	1,787,791	3,702,333
Impact Fees/Bonds	16,337,324	14,422,790	10,744,732	11,375,395	24,618,798	25,000,000
School Mitigation Fee	3,000,000	7,000,000	3,000,000	-	-	-
Enterprise Fees/Bonds	13,247,300	6,313,850	1,953,675	1,762,675	6,502,055	52,123,309
Grants	25,378,387	23,116,080	23,101,341	16,647,667	15,810,367	16,434,167
Other	39,167,985	29,855,519	24,442,520	7,740,651	23,114,751	63,660,157
<b>Total - Source of Funds</b>	<b>\$ 186,568,570</b>	<b>\$ 185,824,139</b>	<b>\$ 146,642,610</b>	<b>\$ 115,093,307</b>	<b>\$ 152,798,697</b>	<b>\$ 256,754,229</b>

Source: Frederick County Budget Office.

The County has consistently used a plan of “pay-as-you-go” financing. Under the pay-as-you-go approach, the County financed the construction of certain of its capital projects by appropriation of revenues from the current funds of the County. Monies expended under General Fund “pay-as-you-go” are as follows:

<b>Fiscal Year</b>	<b>Expended General Fund “Pay-As-You-Go” Funds</b>
2020	\$18.9 million
2019	\$16.6 million
2018	15.0 million
2017	13.1 million
2016	12.5 million

Source: Frederick County Finance Division.

Through use of pay-as-you-go, the County has sought to reduce the aggregate amount of general obligation indebtedness issued that would otherwise bear interest to finance the construction of capital projects.

### **Future General Obligation Issues**

The County’s Capital Improvement Program is an ongoing process, which requires periodic issuance of the County’s general obligation bonds to fund any portion of such program appropriated from general obligation funds. The County plans to issue bonds in September 2019 to finance projects from the Capital Improvement program.

### **COUNTY LITIGATION**

The County is currently involved in a number of legal disputes involving such matters as civil rights violations, construction contracts, land use, personnel matters, motor vehicle accidents and other negligence claims. Many of these are covered by insurance in whole or in part. Since certain of these disputes involve unspecified damages, it is not possible to provide a total of the damages claimed. In the opinion of the County Attorney, such matters are unlikely to result, singly or collectively, in total liabilities that would have a material effect on the financial condition of the County.

### **INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

The fiscal year 2018 financial statements of the County have been audited by SB & Company, LLC, independent certified public accountants. The fiscal year 2018 financial statements can be found on the County’s website ([www.frederickcountymd.gov/reports](http://www.frederickcountymd.gov/reports)).

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Bingham Arbitrage Rebate Services Incorporated, a firm of independent arbitrage consultants, upon delivery of the 2019B Bonds, will deliver to the County its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of computations prepared by Davenport & Company LLC, related to (a) sufficiency of the anticipated receipts from the Governmental Obligations, together with the initial cash deposit, if any, to pay, when due, the principal, interest and early redemption premium requirements of the Refunded Bonds.

The report of Bingham Arbitrage Rebate Services Incorporated will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

### **FINANCIAL ADVISOR**

Davenport & Company LLC, Towson, Maryland, serves as financial advisor (the “Financial Advisor”) to the County with respect to the sale of the Bonds. The financial advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds by the County.

## SALE AT COMPETITIVE BIDDING

The Bonds were offered by the County at competitive bidding on September 10, 2019 in accordance with the respective Notice of Sale (the form of which is included herewith as Appendix D). The interest rates shown on the cover page of this Official Statement are interest rates to the County resulting from the award of the Bonds at the competitive bidding therefore. Yields or prices shown on the cover page of this Official Statement are based on information supplied to the County by the successful bidders. Any other information concerning the terms of reoffering of the Bonds, if any, including yields or prices should be obtained from the successful bidders therefore, and not from the County.

## CERTIFICATE OF COUNTY OFFICIALS

Simultaneously with or before delivery of and payment for the Bonds, the County will furnish to the Underwriter a certificate of the County Executive and the Director of Finance, which shall state that, to the best of their knowledge and belief, this Official Statement (and any amendment or supplement thereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in this Official Statement (and any amendment or supplement thereto).

## CONTINUING DISCLOSURE UNDERTAKING

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

During the last five years, the County has not failed to comply in any material respect with the terms and provisions of previous continuing disclosure agreements entered into in order to comply with the requirements of Rule 15c2-12.

## MISCELLANEOUS

Financial data presented in this Official Statement which are identified as having been furnished by the County from its records, unless otherwise stated, reflect data prepared from the County’s official records, which are public documents and which are believed to be accurate and reliable. Other data have been prepared by or furnished by sources (identified herein) which the County believes to be accurate and reliable, but the County does not guarantee the accuracy of such data. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement or any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

This Official Statement has been prepared by the County. Davenport & Company LLC, Financial Advisor to the County, has assisted the County with this financing. This Official Statement has been approved, authorized and executed by the appropriate officials of the County for use in connection with the sale of the Bonds, all pursuant to the legislation authorizing the issuance of the Bonds.

So far as any statements are made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds. Reference is made to Appendix B for the form of legal opinion on the validity of the Bonds.

The execution of this Official Statement and its delivery have been approved by the County.

BY: /S/JAN H. GARDNER  
Jan H. Gardner  
County Executive

BY: /S/LORI L. DEPIES, CPA  
Lori L. Depies, CPA  
Director of Finance

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## **Appendix A**

The County's Fiscal Year 2018 Comprehensive Annual Financial Report can be viewed at  
[www.frederickcountymd.gov/reports](http://www.frederickcountymd.gov/reports)

The County's Fiscal Year 2020 Budget Documents can be viewed at  
<https://www.frederickcountymd.gov/66/Budget-Office>

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**FORM OF BOND COUNSEL OPINION – 2019A**

Frederick County, Maryland  
Winchester Hall  
12 East Church Street  
Frederick, Maryland 21701

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Frederick County, Maryland (the “County”), a body politic and corporate and a political subdivision of the State of Maryland (the “State”), of its Frederick County, Maryland, General Obligation Public Facilities Bonds, Series 2019A, in an aggregate principal amount of \$106,245,000 (the “2019A Bonds”) dated September 24, 2019.

In such capacity, we have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

We are qualified to practice law in the State, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State and the federal law of the United States of America.

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

We express no opinion herein as the accuracy, adequacy or completeness of the Official Statement relating to the 2019A Bonds.

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

Based upon the foregoing, we are of the opinion that, under existing Maryland and federal law and as of the date hereof:

1. The County is a validly created and existing body politic and corporate and political subdivision of the State, possessing authority under the Acts (as hereafter defined) to issue the 2019A Bonds.

2. The 2019A Bonds are issued for valid public purposes as provided in Chapter 54 of the Laws of Maryland of 2012, as amended, Bill No. 17-03 enacted by the Frederick County Council on April 4, 2017, Section 10-203 of the Local Government Chapter of the Annotated Code of Maryland, as amended, Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended, and Sections 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (collectively, the “Acts”) and Resolution No. 19-22 of the County adopted on July 16, 2019 (the “Resolution”), and the issuance thereof is within every debt and other similar legal limit applicable to the County.

3. The Resolution has been validly adopted.

4. All actions for the authorization, approval, sale, execution and delivery of the 2019A Bonds have been taken in full compliance with the Constitution and laws of the State, the laws of the County, the Acts and the Resolution.

5. The 2019A Bonds are valid and binding general obligations of the County to the payment of which the County has pledged its full faith and credit and unlimited taxing power, and are payable as to principal, premium, if any, and interest from ad valorem property taxes upon all the legally assessable property within the corporate limits of the County, and the County is required by law to levy and collect such taxes in rate and amount sufficient to provide for such payments when due.

6. By the terms of the Acts, the 2019A Bonds, their transfer, the interest payable on them, and any income derived therefrom, including any profit made in their sale shall be exempt from State, county, municipal or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to estate or inheritance taxes or to any other taxes not levied or assessed directly on the 2019A Bonds or the income therefrom.

7. Interest on the 2019A Bonds is excluded from gross income for federal income tax purposes, and interest on the 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2019A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2019A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2019A Bonds. In addition, interest on the 2019A Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Other than as set forth in the preceding paragraphs 6 and 7, we express no opinion regarding the federal or state income tax consequences arising with respect to the 2019A Bonds.

The rights of the holders of the 2019A Bonds and the enforceability of the 2019A Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and to the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity).

Very truly yours,

[to be signed "Venable LLP"]

## FORM OF BOND COUNSEL OPINION – 2019B

Frederick County, Maryland  
Winchester Hall  
12 East Church Street  
Frederick, Maryland 21701

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Frederick County, Maryland (the “County”), a body politic and corporate and a political subdivision of the State of Maryland (the “State”), of its Frederick County, Maryland, General Obligation Public Facilities refunding Bonds, Taxable Series 2019B, in an aggregate principal amount of \$30,015,000 (the “2019B Bonds”) dated September 24, 2019.

In such capacity, we have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

We are qualified to practice law in the State, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State and the federal law of the United States of America.

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

We express no opinion herein as the accuracy, adequacy or completeness of the Official Statement relating to the 2019B Bonds.

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

Based upon the foregoing, we are of the opinion that, under existing Maryland and federal law and as of the date hereof:

1. The County is a validly created and existing body politic and corporate and political subdivision of the State, possessing authority under the Acts (as hereafter defined) to issue the 2019B Bonds.

2. The 2019B Bonds are issued for valid public purposes as provided Chapter 382 of the Laws of Maryland of 2007, as amended, Chapter 54 of the Laws of Maryland of 2012, as amended, and Section 19-207 of the Local Government Article of the Annotated Code of Maryland, as amended (collectively, the “Acts”) and Resolution No. 19-19 of the County adopted on September 3, 2019 (the “Resolution”), and the issuance thereof is within every debt and other similar legal limit applicable to the County.

3. The Resolution has been validly adopted.

4. All actions for the authorization, approval, sale, execution and delivery of the 2019B Bonds have been taken in full compliance with the Constitution and laws of the State, the laws of the County, the Acts and the Resolution.

5. The 2019B Bonds are valid and binding general obligations of the County to the payment of which the County has pledged its full faith and credit and unlimited taxing power, and are payable as to principal, premium, if any, and interest from ad valorem property taxes upon all the legally assessable property within the corporate limits of the County, and the County is required by law to levy and collect such taxes in rate and amount sufficient to provide for such payments when due.

6. By the terms of the Acts, the 2019B Bonds, their transfer, the interest payable on them, and any income derived therefrom, including any profit made in their sale shall be exempt from State, county, municipal or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to estate or inheritance taxes or to any other taxes not levied or assessed directly on the 2019B Bonds or the income therefrom.

7. Under existing law, the interest on the 2019B Bonds is not excludable from gross income for Federal income tax purposes..

Other than as set forth in the preceding paragraphs 6 and 7, we express no opinion regarding the federal or state income tax consequences arising with respect to the 2019B Bonds.

The rights of the holders of the 2019B Bonds and the enforceability of the 2019B Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and to the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity).

Very truly yours,

[to be signed "Venable LLP"]

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by **FREDERICK COUNTY, MARYLAND** (the “Issuer”) in connection with the issuance of \$106,245,000 Frederick County, Maryland General Obligation Public Facilities Bonds, Series 2019A (the “2019A Bonds”) and the \$30,015,000 Frederick County, Maryland General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B (the “2019B Bonds” and, together with the 2019A Bonds, the “Bonds”). The 2019A Bonds are being issued pursuant to Resolution No. 19-22 adopted on July 16, 2019, and the 2019B Bonds are being issued pursuant to Resolution No. 19-19 adopted on September 3, 2019 (collectively, the “Resolutions”). The Issuer covenants and agrees as follows:

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

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

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 of this Disclosure Agreement.

“Annual Audited Financial Information” means the annual financial statements of the Issuer, as prepared in accordance with generally accepted accounting principles in effect from time to time consistently applied and which are audited by an independent certified public accountant or firm of such accountants.

The “Electronic Municipal Market Access (EMMA)” described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board (MSRB) for purposes of the Rule. The Electronic Municipal Market Access system, or EMMA, is a comprehensive, centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market. EMMA houses municipal disclosure documents that provide information for investors about municipal securities. EMMA also provides access to advance refunding documents, which detail arrangements made when new bonds are issued to establish escrows to pay-off existing bonds (usually to refinance their debt at a lower interest rate), and continuing disclosure documents that describe material information throughout the life of a bond and must be provided by municipal bond issuers. Additional disclosures that are voluntarily provided by issuers may be available for some bonds. EMMA is a service of the MSRB, the federal regulator of broker-dealers and banks that market, trade and underwrite municipal bonds, notes and other securities issued by state and local governments. The MSRB promotes investor protection through rulemaking and information collection and dissemination designed to promote transparency and public access. The MSRB collaborates with the Securities and Exchange Commission, Financial Industry Regulatory Authority, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the United States Department of the Treasury’s Office of the Comptroller of the Currency and Office of Thrift Supervision, all of which enforce compliance by brokers, dealers and banks with MSRB rules.

“Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, and its successors.

“Official Statement” shall mean the Official Statement dated September 10, 2019 relating to the 2019A and 2019B Bonds.

“Participating Underwriters” shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

(a) The Issuer shall provide to EMMA annual financial information and operating data generally consistent with the information contained under the headings “Certain Revenues and Expenditures” and “Certain Debt Information” in the Official Statement, such information to be made available within 270 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2019.

(b) The Issuer shall provide to EMMA Annual Audited Financial Information, such information to be made available within 270 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2019, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the Official Statement, *provided*, that the Issuer may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 8 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the Issuer, shall not require the Issuer to amend this Disclosure Agreement.

(d) If the Issuer is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the Issuer shall send in a timely manner a notice of such failure to EMMA or to the Municipal Securities Rulemaking Board and the State Repository, if any.

The Issuer has not failed to comply with any prior undertakings under the Rule except as described in the section of the Official Statement titled “Continuing Disclosure Undertaking”.

### **SECTION 4. Reporting of Significant Events.**

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies,
- (ii) non-payment related defaults, if material,
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties,
- (iv) unscheduled draws on credit enhancements, if any, reflecting financial difficulties,
- (v) substitution of credit or liquidity providers, if any, or their failure to perform,
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds,
- (vii) modifications to rights of Bond Holders, if material,
- (viii) bond calls, if material, and tender offers,
- (ix) defeasances,
- (x) release, substitution or sale of property securing repayment of any of the Bonds, if material,
- (xi) rating changes,
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer,

(xiii) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material,

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material,

(xv) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Bond holders, if material, and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

For the purposes of the event identified in the above clause (a)(xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or Federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement of liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person.

For purposes of the event identified in the above clause (a)(xv), the term "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall within ten (10) business days file a notice of such occurrence with the MSRB through EMMA.

(c) The Issuer shall file or cause to be filed with the MSRB notice of any change in its Fiscal Year not later than the date on which it files any information in the then current Fiscal Year.

(d) Any information required to be included in the Annual Bond Disclosure Report or Annual Audited Financial Information may be included by specific reference to other documents previously provided to the MSRB, if any, or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

**SECTION 5. *Termination of Reporting Obligation.*** The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. In addition, the Issuer may terminate its obligations under this Disclosure Agreement if and when the Issuer no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

**SECTION 6. *Dissemination Agent.*** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

**SECTION 7. *Amendment; Waiver.*** Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel, expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

**SECTION 8. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 9. Limitation of Remedies.** The Issuer shall be given written notice at the address set forth below of any claimed failure by the Issuer to perform its obligations under the Disclosure Agreement, and the Issuer shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Issuer shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Issuer shall be given to the Director of Finance, Winchester Hall, 12 E. Church Street, Frederick, Maryland 21701, or at such alternate address as shall be specified by the Issuer with disclosures made pursuant to Section 4(a) or 4(b) hereof or a notice of occurrence of a Listed Event.

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

**SECTION 11. Law of Maryland.** This Disclosure Agreement, and any claim made with respect to the performance by the Issuer of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland.

**SECTION 12. Limitation of Forum.** Any suit or other proceeding seeking redress with regard to any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Frederick County, Maryland.

**SECTION 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Owners, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2019

ATTEST:

FREDERICK COUNTY, MARYLAND

Richard P. Harcum  
Chief Administrative Officer

By: \_\_\_\_\_  
Jan H. Gardner  
County Executive

**NOTICE OF SALE****FREDERICK COUNTY, MARYLAND**  
**Relating to****\$118,320,000\* General Obligation Public Facilities Bonds, Series 2019A**

Sealed proposals or electronic bids via *PARITY*  
will be received until 10:00 A.M., local Frederick, Maryland time, on  
Tuesday, September 10, 2019  
Winchester Hall, 12 East Church Street, 1st Floor Hearing Room  
Frederick, Maryland 21701

Electronic bids via **Parity®** will be received for the purchase of \$118,320,000\* aggregate principal amount of General Obligation Public Facilities Bonds, Series 2019A (the “Bonds”). The Bonds will be dated the date of delivery (expected to be September 24, 2019) and bear interest payable semi-annually on each February 1 and August 1, beginning on February 1, 2020, until maturity or redemption.

The 2019A Bonds are issued pursuant to the authority of Chapter 54 of the Laws of Maryland of 2012 (the “2012 Act”), Bill No. 17-03, enacted by the Frederick County Council on April 4, 2017 (the “2017 Act”), Section 10-203 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Bond Act”), Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended (the “Water and Sewer Act”), Section 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (the “Education Act” and, together with the 2012 Act, the 2017 Act, the Bond Act and the Water and Sewer Act, the “New Money Acts”) and in accordance with Resolution No. 19-22 adopted by the Frederick County Council (the “County Council”) on July 16, 2019 (the “Resolution”).

The Bonds will mature on the first days of August in the following years and aggregate amounts:

<b><u>Year of Maturity</u></b>	<b><u>Annual Amount Maturing*</u></b>
2020.....	\$3,685,000
2021.....	3,875,000
2022.....	4,075,000
2023.....	4,285,000
2024.....	4,505,000
2025.....	4,735,000
2026.....	4,980,000
2027.....	5,235,000
2028.....	5,500,000
2029.....	5,785,000
2030.....	6,080,000
2031.....	6,360,000
2032.....	6,620,000
2033.....	6,855,000
2034.....	7,065,000
2035.....	7,280,000
2036.....	7,500,000
2037.....	7,730,000
2038.....	7,965,000
2039.....	8,205,000

The proceeds of the Bonds will be used to provide funds for the design, planning, renovation and construction of County capital projects and to pay costs of issuance.

\*Preliminary, subject to adjustment.

## **General Provisions for the Bonds**

The Bonds shall be issued only in fully registered form without coupons. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

The Bonds will bear interest payable semiannually on February 1 and August 1 in each year, commencing February 1, 2020, until maturity or redemption. Interest will be paid to the persons in whose names the Bonds are registered on the registration books maintained by the Bond Registrar on the Regular Record Date, which is the fifteenth day of the month immediately preceding the month in which each such interest payment date occurs, by check mailed to each such person’s address as it appears on such bond registration books.

## **Optional Redemption**

The Bonds stated to mature on or before August 1, 2029 are not subject to redemption prior to their respective maturities. The Bonds stated to mature on or after August 1, 2030 are subject to redemption at the option of the County in whole or in part on any date on or after August 1, 2029, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

## **All or None Bids**

The County will not accept and will reject any bid for less than all of the above described Bonds. The right is reserved to reject any and all bids.

## **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **Parity®**. Bids will be communicated electronically to the County no later than 10:00 a.m., local Frederick, Maryland time, on September 10, 2019. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **Parity®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **Parity®**, to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **Parity®** shall constitute the official time.

To the extent any instructions or directions set forth in **Parity®** conflict with this notice, the terms of this Notice shall control. For further information about **Parity®**, potential bidders may contact **Parity®** at Dalcomp (212) 849-5021.

## **Disclaimer**

Each prospective electronic bidder shall be solely responsible to register to bid via **Parity®** as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access **Parity®** for the purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the County nor **Parity®**, shall have any duty or obligation to provide or assure access to **Parity®** to any prospective bidder, and neither the County nor **Parity®** shall be responsible for a bidder’s failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **Parity®**. The County is using **Parity®** as a communication mechanism, and not as the County’s agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **Parity®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Specifications” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via **Parity®** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone **Parity®** at Dalcomp (212) 849-5021 and notify the County’s Financial Advisor, Joseph Mason, at Davenport & Company LLC by facsimile at (866) 932-6660.

## **Adjustments of Principal Amounts**

The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the County, both before and after the receipt of bids for their purchase. Changes to be made prior to the sale will be published on Parity/www.i-dealprospectus.com or TM3 News Service not later than 9:30 a.m. prevailing Eastern time on the date of sale and will be used to compare bids and select a winning bidder. Changes to be made after the sale and the maturity amounts for the Bonds will be communicated to the successful bidder by 3:00 p.m. prevailing Eastern time on the date of the sale, will be made only as necessary to accommodate the amount of premium bid, and will not reduce the aggregate principal amount of the Bonds by more than the premium amount of the bid. Such changes may result in the elimination of one or more maturities of the Bonds. In addition, the final maturity schedule for the Bonds will be communicated to the successful bidder by 4:00 p.m. prevailing Eastern time on the date of the sale. The dollar amount bid by the successful bidder shall be adjusted to reflect any adjustments in the principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue premium or discount, but will not change the per bond underwriter's discount as calculated from the bid and initial offering prices (as herein defined) required to be delivered to the County as stated herein. The coupon rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

## **Bid Specifications**

Bidders shall state in their proposals the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each proposal shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Bonds but the difference between the lowest rate and the highest rate may not exceed 3.0%. The highest rate of interest permitted may not exceed 5.00% in any year. Bidders may not specify more than one rate of interest for the Bonds of any single maturity. A zero rate may not be named for any maturity. The Bonds will be awarded to the bidder naming the lowest true interest cost for all of the Bonds in any legally acceptable proposal and offering to pay not less than 100% of par. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid, not including interest accrued to the date of delivery. Where the proposals of two or more bidders result in the same lowest true interest cost for the Bonds, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the County shall have the right to award all of the Bonds to one bidder. The right is reserved to the County to reject any or all proposals and to waive any irregularity or informality in any proposal. The County's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. Any award of the Bonds may be made as late as 4:00 P.M. on the sale date. All bids remain firm until an award is made.

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on PARITY must submit a good faith deposit of \$1,183,220 to the County by wire transfer as instructed by the County or its financial advisor. The award to the apparent successful bidder is contingent upon receipt of the good faith deposit, and the Bonds will not be awarded to such bidder until the County has confirmation of receipt of the good faith deposit. No interest will be allowed on any good faith deposit. In the event the successful bidder shall fail to comply with the terms of its bid, the good faith deposit may be retained as and for full liquidated damages.

**THE SUCCESSFUL BIDDER OF BONDS SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL OFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.**

All Bonds herein described will constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County.

The Bonds will be issued and sold subject to approval as to legality by Venable LLP, Baltimore, Maryland, Bond Counsel, whose approving opinion substantially in the form included in the Preliminary Official Statement referred to below will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A form of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds.

## **CUSIP Numbers**

CUSIP numbers for the Bonds will be applied for by the Financial Advisor, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

Not later than seven (7) business days after the award of the Bonds to the successful bidder on the day of sale, the County will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the County will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder (“Reoffering Information”), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder for the Bonds shall be responsible to the County and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 300 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the Bonds, without expense, will be made by the County to the purchaser or purchasers on or about September 24, 2019, or as soon as practicable thereafter, in New York, New York or at such other location as shall be mutually acceptable to the County and the purchasers, and, thereupon, said purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in Federal funds, the balance of the purchase price due. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of any of the Bonds. It shall be a condition to the obligation of said purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said purchaser or purchasers shall be furnished a certificate or certificates of the County Executive of Frederick County and the Director of Finance to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC’s book-entry system provided by DTC, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

## **Undertakings of the Successful Bidder**

The successful bidder (hereafter, the “Purchaser”) agrees to provide certificates, including, but not limited to, an issue price certificate substantially in the form either of the form of certificate attached hereto as Exhibit A or of the form of certificate attached hereto as Exhibit B, whichever is applicable (and in either case subject to such modifications as the County and the Purchaser may agree are necessary or appropriate). The County intends that the provisions of Treasury Regulation 1.148-1(f)(3)(i) (defining “competitive sale” for the purposes of establishing the issue price of municipal bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because (i) the County will disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters, (ii) all bidders will have an equal opportunity to bid, (iii) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds, and (iv) the County anticipates awarding the sale of the Bonds to the bidder that submits a firm offer to purchase the Bonds at the lowest TIC, as set forth herein. Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds.

In the event that the Competitive Sale Requirements are not satisfied, the County shall so advise the winning bidder. In that event, the County may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the Initial Offering Price (as defined below) to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold the Offering Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the County if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The County shall then promptly advise the winning bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% Test and which shall be subject to the Hold the Offering Price Rule. Bids will

not be subject to cancellation in the event that the County determines to apply the Hold the Offering Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold the Offering Price Rule in order to establish the issue price of the Bonds.

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold the Offering Price Rule applies to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following: (A) the close of the fifth (5th) business day after the sale date; or (B) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public. The winning bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The County acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the Hold the Offering Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold the Offering Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold the Offering Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold the Offering Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold the Offering Price Rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold the Offering Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold the Offering Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale, (i) “public” means any person other than an underwriter or a related party, (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public), (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and (iv) “sale date” means the date that the Bonds are awarded by the County to the winning bidder.

By submitting a bid, each bidder represents that it has an established reputation of underwriting new issuances of municipal bonds such as the Bonds.

**Right to Modify Notice of Sale; Right to Postpone Sale.**

The County reserves the right to modify this Notice of Sale prior to the Bid Date including, but not limited to, adjusting and changing the aggregate principal amount of the Bonds being offered, adjusting the amortization schedule for the Bonds, changing the method for determination of issue price, and/or changing the bid specifications for the Bonds; however, such modifications shall be made not later than 9:30 a.m. Prevailing Eastern Time on the Bid Date and communicated through Parity/www.i-dealprospectus.com or TM3.

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through Parity/www.i-dealprospectus.com or TM3. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative Bid Date will be announced via Parity/www.i-dealprospectus.com or TM3 at least 24 hours prior to such alternative Bid Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids for the Bonds and thereafter to establish a subsequent date on which bids for the Bonds will again be received. If all bids for the Bonds are rejected and a subsequent date for receipt of bids for the Bonds established, notice of the subsequent Bid Date will be announced via Parity/www.i-dealprospectus.com or TM3 at least 24 hours prior to such subsequent Bid Date. On any such alternative or subsequent Bid Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with this official Notice of Sale except for the Bid Date and except for the changes announced by Parity/www.i-dealprospectus.com or TM3 at the time the alternative or subsequent Bid Date and time are announced.

Any bid submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via Parity/www.i-dealprospectus.com or TM3 in accordance with the provisions of this Notice of Sale.

The Preliminary Official Statement, together with this Notice of Sale and the required form of proposal, may be obtained from the Director of Finance, Winchester Hall, 12 East Church Street, Frederick, Maryland 21701, or from Davenport & Company LLC, 8600 LaSalle Road, Suite 618, Towson, Maryland 21286 (410) 296-9426. Such Preliminary Official Statement is deemed final by the County as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.

By order of FREDERICK COUNTY, MARYLAND

*[Form of Proposal]*  
**BIDDERS MUST SUBMIT PROPOSAL FOR THE BONDS**

**PROPOSAL FOR  
GENERAL OBLIGATION PUBLIC FACILITIES BONDS, SERIES 2019A**

**September 10, 2019**

Frederick County, Maryland  
Winchester Hall  
12 East Church Street  
Frederick, Maryland 21701

Ladies and Gentlemen:

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale, which is made a part of this Proposal, we offer to purchase the General Obligation Public Facilities Bonds, Series 2019A (the "Bonds") of Frederick County, Maryland, described in such Notice of Sale, such Bonds to mature in the several years shown in the table below and to bear interest at the rate per annum set opposite such years, respectively:

<b>Year of Maturity</b>	<b>Interest Rate</b>
2020 .....	____%
2021 .....	____%
2022 .....	____%
2023 .....	____%
2024 .....	____%
2025 .....	____%
2026 .....	____%
2027 .....	____%
2028 .....	____%
2029 .....	____%
2030 .....	____%
2031 .....	____%
2032 .....	____%
2033 .....	____%
2034 .....	____%
2035 .....	____%
2036 .....	____%
2037 .....	____%
2038 .....	____%
2039 .....	____%

We will pay an amount equal to the par value of the Bonds . \$  
plus a dollar premium in the amount of ..... + \$  
Total ..... \$

We understand that (a) if we are selected as the winning bidder, we are to provide a good faith deposit in the amount of \$ \_\_\_\_\_ as a condition to award, as provided in the Notice of Sale, (b) we are to provide a certification regarding the public sale of the bonds as described in the notice of sale on or prior to the closing date and (c) if notified that we are the successful bidder, we will be required to advise the County of the initial reoffering prices (as described in the notice of sale) for each maturity of the bonds at the time of such notification. In this regard, you may contact and rely on the information provided by \_\_\_\_\_, whose telephone number is \_\_\_\_\_.

\_\_\_\_\_

\_\_\_\_\_

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and Associates (See List Attached)

(Not a part of this proposal. The following information is requested to expedite and facilitate prompt determination of the best bid. The inclusion, omission, accuracy or inaccuracy of these figures will not affect the validity of the proposal. The total amount of interest payable on the bonds referred to above under this proposal is \$ \_\_\_\_\_. The rate of interest determined in the manner set forth in the Notice of Sale is \_\_\_\_\_% per annum.)

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Bidder

By: \_\_\_\_\_

EXHIBIT A-1 TO  
NOTICE OF SALE

**\$106,245,000**  
**FREDERICK COUNTY, MARYLAND**  
**Consolidated Public Facilities Bonds, Series 2019A**

**ISSUE PRICE CERTIFICATE**  
**(Qualified Competitive Bid)**

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

**1. *Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

- (b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

**2. *Defined Terms.***

(a) *Issuer* means Frederick County, Maryland.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Venable LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as Purchaser  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2019

SCHEDULE A  
Expected Offering Prices of the Bonds

**SCHEDULE B**  
**Copy of Bid**

**\$106,245,000**  
**Frederick County, Maryland**  
**Consolidated Public Facilities Bonds, Series 2019A**

**ISSUE PRICE CERTIFICATE**  
**(Nonqualified Competitive Bid)**

The undersigned, on behalf of [NAME OF PURCHASER] (the "Purchaser"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the 10% Maturities.*** As of the date of this Certificate, for each Maturity of the 10% Maturities Bonds, the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

(a) The Purchaser offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule B (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule C.

(b) As set forth in the Notice of Sale and bid award, the Purchaser has agreed in writing that, (i) for each Maturity of the Undersold Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity, and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule.. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***10% Maturities*** means those Maturities of the Bonds shown in Schedule A hereto as the "10% Maturities."

(b) ***Issuer*** means Frederick County, Maryland.

(c) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Holding Period*** means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([\_\_\_\_\_, 2019]), or (ii) the date on which the Purchaser has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2019.

(g) ***Substantial Amount*** means ten percent (10%).

(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule B hereto as the “Undersold Maturities.”

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Venable LLP, as bond counsel to the Issuer, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[NAME OF PURCHASER], as  
Purchaser  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2019

SCHEDULE A  
Sale Prices of the 10% Maturities

**SCHEDULE B**  
**Initial Offering Prices of the Undersold Maturities**

SCHEDULE C  
Pricing Wire

**NOTICE OF SALE****FREDERICK COUNTY, MARYLAND**  
**Relating to****\$30,595,000\* General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B**

Sealed proposals or electronic bids via *PARITY*  
will be received until 10:15 A.M., local Frederick, Maryland time, on  
Tuesday, September 10, 2019  
Winchester Hall, 12 East Church Street, 1st Floor Hearing Room  
Frederick, Maryland 21701

Electronic bids via **Parity®** will be received for the purchase of \$30,595,000\* aggregate principal amount of General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B (the “Bonds”). The Bonds will be dated the date of delivery (expected to be September 24, 2019) and bear interest payable semi-annually on each February 1 and August 1, beginning on February 1, 2020, until maturity or redemption.

The 2019B Bonds are issued pursuant to the authority of Chapter 382 of the Laws of Maryland of 2007, as amended (the “2007 Act”), the 2012 Act, and Section 19-207 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Refunding Statute” and, together with the 2007 Act and the 2012 Act, the “Refunding Acts”; the New Money Acts and the Refunding Acts are sometimes referred to collectively herein as the “Acts”).

The Bonds will mature on the first days of August in the following years and aggregate amounts:

Year of Maturity	Annual Amount Maturing*
2021.....	\$90,000
2022.....	215,000
2023.....	215,000
2024.....	1,835,000
2025.....	1,855,000
2026.....	2,040,000
2027.....	2,115,000
2028.....	4,135,000
2029.....	4,230,000
2030.....	4,325,000
2031.....	2,310,000
2032.....	2,355,000
2033.....	2,410,000
2034.....	2,465,000

The proceeds of the Bonds will be used to provide funds to advance refund certain outstanding County bonds and to pay costs of issuance.

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\*Preliminary, subject to adjustment.

## **General Provisions for the Bonds**

The Bonds shall be issued only in fully registered form without coupons. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

The Bonds will bear interest payable semiannually on February 1 and August 1 in each year, commencing February 1, 2020, until maturity or redemption. Interest will be paid to the persons in whose names the Bonds are registered on the registration books maintained by the Bond Registrar on the Regular Record Date, which is the fifteenth day of the month immediately preceding the month in which each such interest payment date occurs, by check mailed to each such person’s address as it appears on such bond registration books.

## **Optional Redemption**

The Bonds stated to mature on or before August 1, 2029 are not subject to redemption prior to their respective maturities. The Bonds stated to mature on or after August 1, 2030 are subject to redemption at the option of the County in whole or in part on any date on or after August 1, 2029, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

## **All or None Bids**

The County will not accept and will reject any bid for less than all of the above described Bonds. The right is reserved to reject any and all bids.

## **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **Parity®**. Bids will be communicated electronically to the County no later than 10:15 a.m., local Frederick, Maryland time, on September 10, 2019. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **Parity®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **Parity®**, to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **Parity®** shall constitute the official time.

To the extent any instructions or directions set forth in **Parity®** conflict with this notice, the terms of this Notice shall control. For further information about **Parity®**, potential bidders may contact **Parity®** at Dalcomp (212) 849-5021.

## **Disclaimer**

Each prospective electronic bidder shall be solely responsible to register to bid via **Parity®** as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access **Parity®** for the purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the County nor **Parity®**, shall have any duty or obligation to provide or assure access to **Parity®** to any prospective bidder, and neither the County nor **Parity®** shall be responsible for a bidder’s failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **Parity®**. The County is using **Parity®** as a communication mechanism, and not as the County’s agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **Parity®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Specifications” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via **Parity®** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone **Parity®** at Dalcomp (212) 849-5021 and notify the County’s Financial Advisor, Joseph Mason, at Davenport & Company LLC by facsimile at (866) 932-6660.

## **Adjustments of Principal Amounts**

The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the County, both before and after the receipt of bids for their purchase. Changes to be made prior to the sale will be published on Parity/www.i-dealprospectus.com or TM3 News Service not later than 9:30 a.m. prevailing Eastern time on the date of sale and will be used to compare bids and select a winning bidder. Changes to be made after the sale and the maturity amounts for the Bonds will be communicated to the successful bidder by 3:00 p.m. prevailing Eastern time on the date of the sale, will be made only as necessary to accommodate the amount of premium bid, and will not reduce or increase the aggregate principal amount of the Bonds by more than 10% from the amount bid upon. Such changes may result in the elimination of one or more maturities of the Bonds. In addition, the final maturity schedule for the Bonds will be communicated to the successful bidder by 4:00 p.m. prevailing Eastern time on the date of the sale. The dollar amount bid by the successful bidder shall be adjusted to reflect any adjustments in the principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue premium or discount, but will not change the per bond underwriter's discount as calculated from the bid and initial offering prices (as herein defined) required to be delivered to the County as stated herein. The coupon rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

## **Bid Specifications**

Bidders shall state in their proposals the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each proposal shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Bonds. The highest rate of interest permitted may not exceed 5.00% in any year. Bidders may not specify more than one rate of interest for the Bonds of any single maturity. A zero rate may not be named for any maturity. The Bonds will be awarded to the bidder naming the lowest true interest cost for all of the Bonds in any legally acceptable proposal and offering to pay not less than 100% of par or more than 110%. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid, not including interest accrued to the date of delivery. Where the proposals of two or more bidders result in the same lowest true interest cost for the Bonds, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the County shall have the right to award all of the Bonds to one bidder. The right is reserved to the County to reject any or all proposals and to waive any irregularity or informality in any proposal. The County's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. Any award of the Bonds may be made as late as 4:00 P.M. on the sale date. All bids remain firm until an award is made.

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on PARITY must submit a good faith deposit of \$305,950 to the County by wire transfer as instructed by the County or its financial advisor. The award to the apparent successful bidder is contingent upon receipt of the good faith deposit, and the Bonds will not be awarded to such bidder until the County has confirmation of receipt of the good faith deposit. No interest will be allowed on any good faith deposit. In the event the successful bidder shall fail to comply with the terms of its bid, the good faith deposit may be retained as and for full liquidated damages.

**THE SUCCESSFUL BIDDER OF BONDS SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL OFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.**

All Bonds herein described will constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County.

The Bonds will be issued and sold subject to approval as to legality by Venable LLP, Baltimore, Maryland, Bond Counsel, whose approving opinion substantially in the form included in the Preliminary Official Statement referred to below will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A form of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds.

## **CUSIP Numbers**

CUSIP numbers for the Bonds will be applied for by the Financial Advisor, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

Not later than seven (7) business days after the award of the Bonds to the successful bidder on the day of sale, the County will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the County will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder for the Bonds shall be responsible to the County and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 300 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the Bonds, without expense, will be made by the County to the purchaser or purchasers on or about September 24, 2019, or as soon as practicable thereafter, in New York, New York or at such other location as shall be mutually acceptable to the County and the purchasers, and, thereupon, said purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in Federal funds, the balance of the purchase price due. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of any of the Bonds. It shall be a condition to the obligation of said purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said purchaser or purchasers shall be furnished a certificate or certificates of the County Executive of Frederick County and the Director of Finance to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

## **Right to Modify Notice of Sale; Right to Postpone Sale**

The County reserves the right to modify this Notice of Sale prior to the Bid Date including, but not limited to, adjusting and changing the aggregate principal amount of the Bonds being offered, adjusting the amortization schedule for the Bonds, changing the method for determination of issue price, and/or changing the bid specifications for the Bonds; however, such modifications shall be made not later than 9:30 a.m. Prevailing Eastern Time on the Bid Date and communicated through Parity/www.i-dealprospectus.com or TM3.

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through Parity/www.i-dealprospectus.com or TM3. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative Bid Date will be announced via Parity/www.i-dealprospectus.com or TM3 at least 24 hours prior to such alternative Bid Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids for the Bonds and thereafter to establish a subsequent date on which bids for the Bonds will again be received. If all bids for the Bonds are rejected and a subsequent date for receipt of bids for the Bonds established, notice of the subsequent Bid Date will be announced via Parity/www.i-dealprospectus.com or TM3 at least 24 hours prior to such subsequent Bid Date. On any such alternative or subsequent Bid Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with this official Notice of Sale except for the Bid Date and except for the changes announced by Parity/www.i-dealprospectus.com or TM3 at the time the alternative or subsequent Bid Date and time are announced.

Any bid submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via Parity/www.i-dealprospectus.com or TM3 in accordance with the provisions of this Notice of Sale.

The Preliminary Official Statement, together with this Notice of Sale and the required form of proposal, may be obtained from the Director of Finance, Winchester Hall, 12 East Church Street, Frederick, Maryland 21701, or from Davenport & Company LLC, 8600 LaSalle Road, Suite 618, Towson, Maryland 21286 (410) 296-9426. Such Preliminary Official Statement is deemed final by the County as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.

By order of FREDERICK COUNTY, MARYLAND

*[Form of Proposal]*  
**BIDDERS MUST SUBMIT PROPOSAL FOR THE BONDS**

**PROPOSAL FOR  
GENERAL OBLIGATION PUBLIC FACILITIES REFUNDING BONDS, TAXABLE SERIES 2019B**

\_\_\_\_\_, 2019

Frederick County, Maryland  
Winchester Hall  
12 East Church Street  
Frederick, Maryland 21701

Ladies and Gentlemen:

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale, which is made a part of this Proposal, we offer to purchase the General Obligation Public Facilities Refunding Bonds, Taxable Series 2019B (the "Bonds") of Frederick County, Maryland, described in such Notice of Sale, such Bonds to mature in the several years shown in the table below and to bear interest at the rate per annum set opposite such years, respectively:

<b>Year of Maturity</b>	<b>Interest Rate</b>
2021 .....	____%
2022 .....	____%
2023 .....	____%
2024 .....	____%
2025 .....	____%
2026 .....	____%
2027 .....	____%
2028 .....	____%
2029 .....	____%
2030 .....	____%
2031 .....	____%
2032 .....	____%
2033 .....	____%
2034 .....	____%

We will pay an amount equal to the par value of the Bonds . \$  
plus a dollar premium in the amount of ..... + \$  
Total ..... \$

We understand that (a) if we are selected as the winning bidder, we are to provide a good faith deposit in the amount of \$ \_\_\_\_\_ as a condition to award, as provided in the Notice of Sale, (b) we are to provide a certification regarding the public sale of the bonds as described in the notice of sale on or prior to the closing date and (c) if notified that we are the successful bidder, we will be required to advise the County of the initial reoffering prices (as described in the notice of sale) for each maturity of the bonds at the time of such notification. In this regard, you may contact and rely on the information provided by \_\_\_\_\_, whose telephone number is \_\_\_\_\_.

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and Associates (See List Attached)

(Not a part of this proposal. The following information is requested to expedite and facilitate prompt determination of the best bid. The inclusion, omission, accuracy or inaccuracy of these figures will not affect the validity of the proposal. The total amount of interest payable on the bonds referred to above under this proposal is \$ \_\_\_\_\_. The rate of interest determined in the manner set forth in the Notice of Sale is \_\_\_\_\_% per annum.)

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Bidder

By: \_\_\_\_\_

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**Refunded Bonds Outstanding as of September 10, 2019****Frederick County, Maryland General Obligation Public Facilities Bonds of 2013**

<b>Date of Maturity</b>	<b>Refunded Principal Amount</b>	<b>Interest Rate</b>	<b>Principal Amount Payable (1)</b>	<b>CUSIP Number</b>
May 1				
2025	\$1,600,000	5.00%	100.00	3556942E9
2026	1,665,000	5.00%	100.00	3556942F6
2027	1,730,000	3.50%	100.00	3556942G4
2028	1,800,000	3.50%	100.00	3556942H2
2029	1,875,000	3.50%	100.00	3556942J8
2030	1,950,000	3.50%	100.00	3556942K5
2031	<u>2,025,000</u>	3.50%	100.00	3556942L3
Total	<u>\$12,645,000</u>			

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(1) Bonds redeemable on May 1, 2023, at the principal amount thereof plus accrued interest.

**Frederick County, Maryland General Obligation Public Facilities Bonds, Series 2014A**

<b>Date of Maturity</b>	<b>Refunded Principal Amount</b>	<b>Interest Rate</b>	<b>Principal Amount Payable (2)</b>	<b>CUSIP Number</b>
August 1				
2028	\$1,975,000	3.00%	100.00	3556947S3
2029	2,040,000	3.50%	100.00	3556947T1
2030	2,110,000	3.25%	100.00	3556947U8
2031	2,190,000	3.75%	100.00	3556947V6
2032	2,270,000	3.75%	100.00	3556947W4
2033	2,360,000	3.75%	100.00	3556947X2
2034	<u>2,450,000</u>	3.75%	100.00	3556947Y0
Total	<u>\$15,395,000</u>			

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(2) Bonds redeemable on August 1, 2022, at the principal amount thereof plus accrued interest.

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