



NEWS

MONTGOMERY COUNTY OFFICE OF COMMUNICATIONS
COURT HOUSE, NORRISTOWN, PA., BOX 311, 19404-0311

Frank X. Custer, Communications Director

Jessica Willingham, Communications Assistant

PHONE (610) 278-3061 FAX 278-5943

COMMISSIONERS: JOSH SHAPIRO, *Chair*

LESLIE S. RICHARDS, *Vice Chair*, BRUCE L. CASTOR, JR., *Commissioner*



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Montgomery County Issues \$55 Million in Bonds to Fund Major Infrastructure Projects

Norristown, PA (April 4, 2013) – With a long list of infrastructure needs throughout the county, Montgomery County today issued \$55 million in bonds that will address many of those projects with no appreciable increase over the county’s current debt service in the next decade.

“The bond sale received strong interest from underwriting firms with 10 banks submitting aggressive bids,” said Uri Monson, the county’s chief financial officer. The winning bidder, PNC Capital Markets, had a True Interest Cost (TIC) of 2.39 percent. After awarding the bid, the bonds were restructured to optimize the debt service structure and ensure compliance with Pennsylvania Department of Community and Economic Development regulations.

One of the main reasons for the competitive bids was a recent confirmation of the county’s Aa1 bond rating with a stable outlook by Moody’s Investor Service. In reaffirming the county’s rating, Moody’s cited the following:

- A sizable and diverse tax base that benefits from its close proximity to major employment centers (Philadelphia)
- A strong socioeconomic profile with above-average income levels
- A low debt burden

The stable outlook was attributed to Moody’s belief that county management will stabilize the financial operations, and it recognizes recent actions taken by the county commissioners to grow recurring revenues, control expenditures and improve budgeting procedures.

Montgomery County’s debt service in 2013 before the issuance of these bonds was \$39.16 million. During the course of this new bond issue, which runs through 2033, the county’s debt service will never go above \$40 million, with a high of \$39.8 million.

“The fact that we were able to borrow money to finance critically important infrastructure projects without significantly increasing our debt service is a testament to our senior staff, particularly Mr. Monson, and the actions that this board has taken over the past year to right our fiscal ship,” said Josh Shapiro, chair of the board of commissioners.

To emphasize the excellent interest rate of 2.39 percent the county received on this bond issue, Monson pointed out other recent bond issues. “For perspective,” he said, “the Commonwealth of Pennsylvania, which has a slightly lower bond rating of Aa2, priced bonds yesterday at TIC of 2.9%. Virginia Beach, VA, which has a AAA bond rating, priced yesterday at 2.362 percent. Bucks County, with a AAA bond rating, issued bonds two weeks ago with a TIC of 2.377 percent.”

The differential between the winning bid and the next lowest bid was 0.017 percent. In aggregate, all 10 bids were separated by just 0.144 percent.

Some of the major projects this bond issue will fund include repair of the courthouse and Main Street parking garages, repair and rehabilitation of One Montgomery Plaza, the county’s emergency radio system, several roads and bridges projects and a significant investment in IT infrastructure.