

THE CAPITAL IMPROVEMENT PROGRAM AND CAPITAL BUDGET

Introduction

The Capital Improvement Program (CIP) is the County's six-year financial plan for constructing and renovating permanent facilities such as schools, libraries, fire stations and roads. Capital projects often take two to three years to complete. The CIP provides a detailed, year-by-year schedule of all planned expenditures and financing requirements for each construction project.

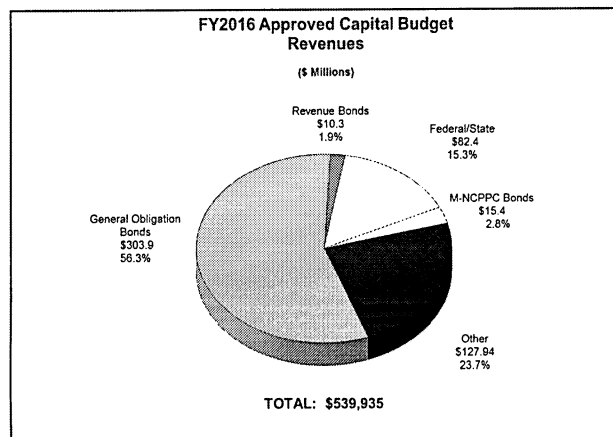
The capital budget refers to expenditures planned for the first year of the CIP and provides the appropriation authority to spend the funds. The funds contained in the capital budget customarily support only a particular phase of a project, such as design, land acquisition or construction.

Since capital facilities provide benefits over a long period of time, the County normally spreads out their costs, paying for them through general obligation bonds and other forms of long-term indebtedness. This ensures that capital costs are not borne solely by today's taxpayers, but that future beneficiaries of capital projects also pay for them.

FY 2016-2021 Capital Improvement Program and Budget

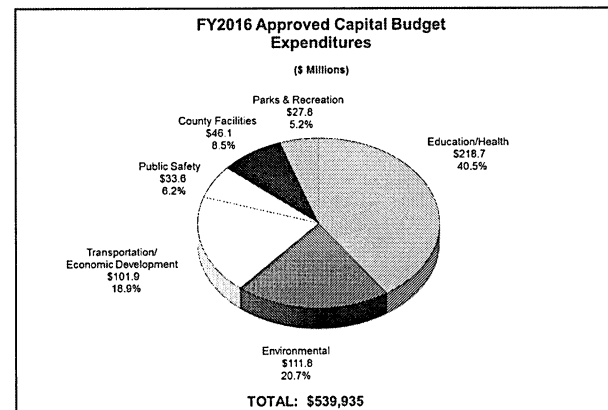
The FY 2016-2021 Capital Improvement Program (CIP) consists of various projects totaling \$3.19 billion, including projects for the Maryland-National Capital Park and Planning Commission (M-NCPPC). The following section provide an overview of the FY 2016 capital budget, including revenues and expenditures by functional area and highlights of key capital projects. For additional details, please consult the FY 2016-2021 CIP book.

FY 2016 Capital Budget Revenues



The FY 2016 capital budget totals \$539.9 million and is supported by multiple revenue sources, including revenues received from prior years. General obligation (GO) bonds comprise a significant component of the funding plan for the budget. In FY 2016, GO bonds total \$303.9 million, or 56.3%, of the total funding for capital budget. Federal and State aid provides \$82.4 million, or 15.3% of funding for the capital budget. M-NCPPC bonds support 2.8% of total funding at \$15.4 million. The remaining \$127.9 million or 23.7% is comprised of revenue bonds, miscellaneous revenues and developer contributions.

FY 2016 Capital Budget Expenditures



Education and Health

The education and health portion of the FY 2016 Capital Budget comprises \$218.7 million or 40.5% of the total budget. This category includes expenditures for the Board of Education, Prince George's Community College, Prince George's Memorial Library and the Health Department.

Key Projects

- The budget include funds for the construction of the new Fairmont Heights High School replacement, Tulip Grove Elementary School replacement, and the Glenarden Woods Elementary School renovation.
- The Memorial Library will continue the construction of the new Laurel Branch library, planning and design for the Surratts-Clinton Branch renovations, construction for the New Carrollton Branch Library renovation and various improvement projects.
- The Community College will begin the construction of the Queen Anne Academic Center, Lanham Hall renovations and

construction and equipping of the new Culinary Arts Center.

Transportation and Economic Development

The transportation and economic development component is budgeted at \$101.9 million, or 18.9%, of the total FY 2016 capital budget. Agencies within this category include the Department of Public Works and Transportation, Revenue Authority of Prince George's County and the Redevelopment Authority of Prince George's County. Transportation funding comes primarily from general obligation bonds. Additional revenues come from developer contributions and from the Federal government, primarily in support of the bridge construction program.

Key Projects

- The Department of Public Works and Transportation will focus on rehabilitating and maintaining the County's road system and place greater emphasis on pedestrian safety improvements. Major projects include the reconstruction of Virginia Manor and Contee roads in Laurel.

Parks and Recreation Facilities

A portion of the capital budget spending is for park and recreation facilities, accounting for \$27.8 million, or 5.2%, of the total expenditures. This part of the capital program is administered by the M-NCPPC. Funding comes from a combination of sources that include the sale of bonds by the Commission, State aid under Program Open Space, "Pay-as-You-Go" (PAYGO) funding and contributions from grants. The budget supports the acquisition of park land and the development of park facilities, including the purchase of playground equipment and the construction of new community centers.

Key Projects

- The budget includes funding for the Southern Regional Tech/Rec-Aquatic Facility which will be located in the greater Oxon Hill area.

Environment

The capital budget for the Environment category totals \$111.8 million, or 20.7% of the FY 2016 budget. The two major areas that are addressed under this component are solid waste

management and stormwater management. Solid waste management capital projects are funded primarily by revenue bonds. The debt service costs for these bonds are supported by tipping fees charges to trash haulers and other revenues collected by the Solid Waste Management enterprise fund.

Key Projects

- The Department of the Environment will continue implementing the MS4/NPDES Compliance and Restoration Program to include all impervious area restoration, stream restoration and stormwater quality improvements to reduce pollutants. Funding comes from the Stormwater Enterprise Fund and the Local Watershed Protection and Restoration Fund.

Public Safety and County Facilities

Constructing public safety and other County facilities comprise the remainder of the FY 2015 capital budget. These two functions account for \$79.7 million, or 14.7%, of the FY 2016 capital budget. The public safety category includes facilities for the Police, Fire and Corrections departments. Projects under the County facilities portion of the capital budget consist primarily of renovations to current facilities. The funding for these projects are from the sale of general obligation bonds.

Key Projects

- The Police Department will begin renovations for the Training Academy to relocate from Forbes Blvd to Presidential Plaza. The agency will also continue improving and rehabilitating various police facilities.
- The Fire Department will begin the renovations at the West Lanham Hills Fire/EMS station.
- The Department of Corrections will begin the medical unit renovations.
- The Office of Central Services will begin renovations at the Prince George's Homeless Shelter.
- Construction will continue on the Emergency Command Center and back up hub for the call center in emergency situations.

SUMMARY OF THE FY 2016-2021 CAPITAL IMPROVEMENT PROGRAM
EXPENDITURES - BY AGENCY OR PROGRAM

(Dollars in Thousands)

AGENCY/PROGRAM	APPROVED CAPITAL BUDGET	APPROVED CAPITAL PROGRAM
Board of Education	\$ 147,929	\$ 1,062,475
Stormwater Management	97,030	489,352
Parks and Recreation	27,815	120,902
Hospitals	-	-
Public Works & Transportation	90,147	577,685
Library	20,051	111,723
Health	800	22,300
Corrections	6,910	24,313
Police	11,300	111,549
Fire/EMS	15,400	140,750
Solid Waste Management	14,767	68,238
Community College	49,947	304,932
Central Services	32,135	113,735
Revenue Authority	6,000	6,000
Redevelopment Authority	1,375	1,375
Federal Programs	4,367	4,367
Office of Information Technology	13,962	26,302
TOTAL	\$ 539,935	\$ 3,185,998

Operating Impacts

Constructing capital projects affect the operating budget in two ways:

(1) Interest and principal payments for debt issued for capital projects. To ensure that capital spending levels do not adversely impact the operating budget and the County's ability to maintain current services in future fiscal years, debt levels are carefully monitored. The two principal debt ratios used by the County as debt policy guidelines are:

- The ratio of General Fund debt service to County source revenues not to exceed 8.0%. The level of this ratio is 4.9% as of June 30, 2014, which is within this limit.
- County policy limits net direct debt to no more than 3.0% of the full market assessed value of property. The County's statutory debt limit under the Annotated Code of Maryland is 6.0% of its assessable base. The County remains within this limit at 1.2% of the net direct debt to assessed value for FY 2014.

(2) Capital projects that represent new initiatives or that add additional space to existing facilities impact the operating budget. The most significant effect occurs when additional personnel must be hired to staff the newly constructed facility. Other impacts can include custodial, utility and maintenance costs. If a new building is a replacement for an existing structure, however, the additional expenses are usually minor, and in some instances the County may even realize cost savings. For renovations of existing facilities or infrastructure, the impact on the operating budget is minimal. In the case of resurfacing, road maintenance costs should decrease, resulting in operating budget savings.

Key Operating Impacts

- Individual environmental projects in the stormwater category do not add significantly to agency operating costs. When taken in aggregate, however, the addition of thousands of feet of new storm drain and numerous holding and detention ponds does have operational impacts. The grounds around flood control systems, drainage channels, retention basins and storm drain easements must be maintained in connection with the new construction. Catch basins and main lines must be cleaned and kept clear of debris, as well. The operating costs will be supported by the Stormwater Management Enterprise Fund.