

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 2015-2020 Capital Improvement Program and Budget

The FY 2015-2020 CIP consists of 451 projects totaling \$3.2 billion, including projects for the Maryland-National Capital Park and Planning Commission (M-NCPPC) and the Redevelopment Authority.

The FY 2015 approved capital budget consists of 202 projects totaling \$636.2 million. Of that total, 43 projects totaling \$50.4 million are M-NCPPC projects and are not financially supported by the County. The amount of County general obligation bonds programmed for sale in FY 2015 to support capital budget expenditures is \$324.0 million.

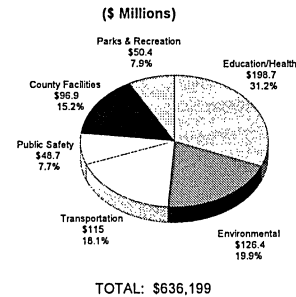
The remainder of this section provides an overview of the FY 2015 capital budget by functional area and highlights key capital projects. The expenditure amounts noted are the total project cost, unless otherwise indicated. For additional details, please consult the FY 2015-2020 CIP.

Education and Health

The education and health portion of the FY 2015 capital budget comprises \$198.7 million, or 31.2% of the total budget. This category includes

expenditures for the Board of Education (BOE), Prince George's Community College, Prince George's Memorial Library, Hospitals, and the Health Department. The County and State share the construction costs for Community College facilities, which comprise 7.7% of the allocation to this category.

FY2015 Approved Capital Budget Expenditures



BOE expenditures account for \$148.9 million or 75% of the total expenditures for this category. BOE revenues come from the sale of general obligation bonds and from State aid. Under the current State funding formula, the State should pay for 62% of all eligible school construction costs. The State has allocated 100% of the State funding that represents \$38.3 million to the County for FY 2015 school construction projects.

Key Projects

Board of Education

- Glen Arden Woods ES Renovation (\$23,857,000) – The existing facility will be renovated with an addition as a state-of-the-art green school
- Fairmont Heights HS (\$78,167,000) – A new 953-seat high school.
- Eugene Burroughs MS Renovation (\$42,871,000) - The original building was constructed in 1963, with additions constructed in 1965 and 1976.
- Systemic Replacements (\$280,656,000) – Replaces old and failing mechanical, electrical, building envelope and structural systems.

Community College

- Queen Anne Academic Center (\$76,075,000) -- A 136,545 gross square-foot addition.
- Culinary Arts Centre (\$15,441,000) - A 18,000 – 20,000 square foot building

Library

- Laurel Library Replacement (\$22,526,000) – A new 32,000 square-foot library with a large community meeting room and public service area.
- Hyattsville Branch Replacement (\$16,063,000) – A new one-story facility between 35,000 to 40,000 square feet.

Hospitals

- Regional Medical Center (\$208,000,000) – A new state-of-the-art facility to transform County's healthcare system into an efficient effective viable healthcare system.

Transportation and Economic Development

The transportation and economic development component is budgeted at \$115 million, or 18.1% of the total FY 2015 capital budget. Agencies within this category include the Department of Public Works and Transportation and the Redevelopment Authority. 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

Department of Public Works and Transportation

- Curb and Road Rehabilitation 2 (\$133,450,000) – Includes resurface rehabilitation, cut and patch, crack seal, surface treatment and roadway survey.
- Pedestrian Safety Improvements (\$28,250,000) – Enhancements particularly along roadways or at intersections which have a history of accidents.
- Green Street Improvements (\$40,355,000) – Design and right-of-way acquisition for Edmonston Road, Swann Road, Harry S Truman Drive, Mt. Lubentia Way and Paint Branch Parkway; construction of Ager Road.

Parks and Recreation Facilities

A portion of capital budget spending is for parks and recreation facilities, accounting for \$50.4 million, or 7.9% of the total. 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 operating revenues. These expenditures will be used for the acquisition of park land and for the development of park facilities, ranging from the purchase of

playground equipment to the construction of new community centers.

Key Projects

Maryland-National Capital Park and Planning Commission

- Southern Regional Tech/Rec Complex (\$27,200,000) – Construction of a recreation complex in the greater Oxon Hill area.
- Consolidated Headquarters Building (\$48,725,000) – A new building for the Headquarters of the Department of Parks and Recreation, Department of Planning and Bi-County Offices.

Environment

Approximately 19.9% of the FY 2015 capital budget or \$126.4 million will be expended on projects aimed at improving the environment. The two major areas that are addressed under this category are solid waste management and stormwater management. Solid waste management capital projects are funded primarily by revenue bonds. The debt service costs for these revenue bonds are supported by tipping fees charged to trash haulers and other revenues collected by the Solid Waste Management Enterprise Fund.

Key Projects

Stormwater Management

- MS4/NPDES Compliance & Restoration (\$360,393,000) -- Project is to fulfill federal and state mandates for water quality and impervious area restoration.
- Flood Protection & Drainage Improvement (\$107,369,000) – Includes flood protection and drainage relief project that cost less than \$500,000. Eligible projects will correct home flooding, alleviate road flooding and correct residential yard drainage deficiencies.
- Water Quality Impervious Project (\$33,100,000) – Restore untreated impervious areas with water quality/urban retrofit BMP's stream restoration techniques and other approaches by administration of the Alternative Compliance Program, and industrial and commercial participants.

Solid Waste Management

- Brown Station Road Sanitary Landfill (\$169,218,000) – Includes costs associated with construction of Phase I of Area B final cover system.

- Sandy Hill Sanitary Landfill (\$29,884,000) – The costs associated with closing the Sandy Hill Sanitary Landfill, and the construction of facilities to maintain it after closure.

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 22.9% of the FY 2015 capital budget, or \$145.6 million. 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 projects in these categories are from the sale of general obligation bonds.

Key Projects

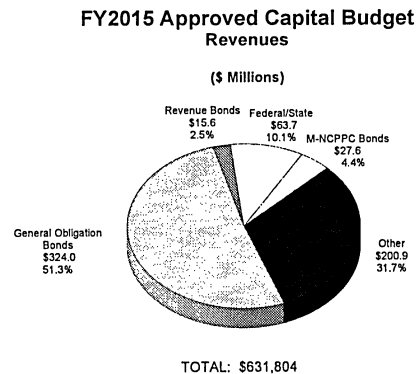
Public Safety

- Detention Center Kitchen Facility Replacement (\$16,632,000) – Phase I is complete. Phase II will demolish old kitchen and renovate to provide additional storage and laundry space.
- Detention Center Medical Unit Renovation & Expansion (\$11,800,000) – Includes an additional 7,500 square feet of space, additional beds, isolation cells, triage exam room, upgrade of the Security Control Station, new ventilation and HVAC systems.
- Hyattsville Fire/EMS #801 (\$12,350,000) – A new 4-bay Fire/EMS station that includes a station alerting system designed to reduce response times and will also provide space for the American Red Cross.
- Fire Station Roof Renovations (\$7,288,000) – Design and construct replacement roofs on numerous fire stations.
- Fire Station Renovations (\$37,880,000) – Design and replacing electrical, mechanical, structural and plumbing systems at numerous fire stations. A portion of this funding is dedicated to volunteer stations.
- District V Police Station (\$14,130,000) – A new 17,000 to 20,000 square-foot Police Station along the southern portion of Route 301.
- Records Management System (\$12,844,000) – Supports all public safety data.
- Public Safety Pier (\$2,600,000) – Ensures adequate response times if needed at the National Harbor.

Other County Facilities

- County Building Renovations (\$137,659,000) – Major renovations to County-occupied space, including renovations to the County Administration Building and Largo Building Complex.
- Emergency Command Center (\$32,350,000) – A new building when complete will house the administrative offices of Homeland Security, a location for an Operations Center during emergencies and will be backup hub for the County’s emergency call center.
- Shepherd’s Cove Women’s Shelter (\$20,460,000) – A new facility that will be an emergency and transitional shelter for women.
- Promise Place Children’s Shelter (\$21,154,000) – A new facility that will be an emergency and transitional shelter for children.
- Enterprise Resources Program (\$53,974,000) – Purchase, develop, and implement software to support the automation of the business process for the County.

Revenue



The FY 2015 Capital Budget is supported by multiple revenue sources, including revenues received from prior years. General obligation bonds comprise an important component, and are made up of \$324.0 million from the FY 2015 bond sale. Revenue bonds account for \$15.6 million or 2.5% of the total. M-NCPPC bonds support 4.4% of the total at \$27.6 million. Federal and State aid provides \$63.7 million, or 10.1% of the FY 2015 capital budget. The remaining \$200.7 million or 31.8% is comprised of miscellaneous revenues and developer contributions.

SUMMARY OF THE FY 2015-2020 CAPITAL IMPROVEMENT PROGRAM
EXPENDITURES - BY AGENCY OR PROGRAM

(Dollars in Thousands)

AGENCY/PROGRAM	FY 2015 APPROVED CAPITAL BUDGET	FY 2015-2020 APPROVED CAPITAL PROGRAM
Board of Education	\$ 148,944	\$ 848,851
Stormwater Management	110,599	618,848
Parks and Recreation	50,421	100,742
Hospitals	1,000	1,000
Public Works & Transportation	103,838	546,676
Library	21,079	84,635
Health	12,450	35,950
Corrections	11,116	32,389
Police	15,960	114,082
Fire/EMS	21,630	163,230
Solid Waste Management	15,816	63,233
Community College	15,246	280,178
Central Services	77,711	221,979
Redevelopment Authority	6,800	18,800
Federal Programs	4,367	4,367
Office of Information Technology	19,222	37,599
TOTAL	\$ 636,199	\$ 3,172,559

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 5.6% as of June 30, 2013, 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 0.9% of the net direct debt to assessed value for FY 2013.

(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.

