

## FUNDING THE CAPITAL IMPROVEMENT PROGRAM

### A. Major Funding Sources

#### 1. General Obligation Bonds

The County government, pursuant to authority granted to it by the General Assembly, is authorized to undertake borrowing for any public purpose of the County, provided that the aggregate amount of indebtedness outstanding at any one time should not exceed 6% of the County's assessable base. The County Charter specifies that both a bond-enabling act and a bond authorization act must be passed prior to the issuance of County general obligation bonds (GOB). The Charter also states that the Council shall refer to a referendum of the voters of the County, at the ensuing regular congressional primary or general election, any act enabling the County to borrow money to finance capital projects. School construction bonds are exempt from this Charter requirement. The funds to repay the interest and principal on general obligation bonds come from the operating funds that are collected by the County. The County has adopted fiscal policies limiting the ratio of debt service payments to the total general fund operating budget, and the ratio of outstanding debt to the County's assessable base. These policies help to ensure the County's fiscal health by restricting the amount of bonds that the County will issue in any one year, or over a period of time.

#### 2. Federal Aid

Direct Federal funding comprises less than 3% of the County's Capital Improvement Program. Transportation projects that involve Federal aid include mass transit, interstate highway intersections and bridges. Federal aid is also provided through the Community Development Block Grant (CDBG) program. CDBG funds support neighborhood improvements and facilities in areas of the County that have experienced building deterioration or economic disadvantage.

#### 3. State Aid

The County uses State aid, in the form of grants or matching funds, in transportation projects, public schools, the community college, and criminal justice facilities. The rules and regulations pertaining to the receipt of State funds differ for each purpose toward which the State contributes. Some State contributions are one-time grants while others are formula-driven programs, which provide annual contributions to every jurisdiction in the State based on established criteria. Most require a matching contribution by the County government. The State contribution to County construction projects is in addition to the amount that the State spends on its own construction projects in the County, such as improvements to State numbered highways.

#### 4. Agency Bonds

Agencies of the County government that were created by State legislation are empowered to issue their own bonds. The Maryland-National Capital Park and Planning Commission (M-NCPPC) issues its own bonds to finance park acquisition and development. The full faith and credit of the County government back these bonds. A separate tax rate is levied by the County for the M-NCPPC, part of which is utilized to pay the interest and principal on its outstanding bonds.

## THE PRINCE GEORGE'S COUNTY FY 2006-2011 APPROVED CAPITAL IMPROVEMENT PROGRAM

### 5. Revenue Bonds

Revenue bonds are obligations issued to finance a revenue-producing enterprise, with principal and interest payable exclusively from the earnings of the enterprise. Stormwater Management activities rely on revenue bonds as one source of construction financing.

### 6. Stormwater Management Bonds

The responsibility for stormwater programs and services was transferred to the County government from the Washington Suburban Sanitary Commission on July 1, 1987. The County is authorized to issue bonds to provide funds for stormwater management facilities and these bonds are not subject to referendum requirements. A Stormwater Management District has been established which includes all the land in the County except for the land within the City of Bowie. A Stormwater Management Enterprise Fund is used to pay for stormwater management operations and activities within the District and to pay for the annual debt service on stormwater bonds issued by the County. The Stormwater Fund is supported by a stormwater management ad valorem tax on all property assessed for tax purposes within the District which receives stormwater management services.

### 7. Solid Waste Bonds

The County is authorized to issue solid waste revenue bonds to provide funds for solid waste management facilities and these bonds are not subject to referendum requirements. The Solid Waste Management Enterprise Fund was established to account for all revenue and expenditures related to the County's solid waste management activities. This fund provides for activities associated with the County's landfill, including the operations of the bulky trash pick-up service; environmental-related programs, including the recycling and clean-up programs; and the abandoned vehicle program. Also accounted for here are the activities associated with the County's contract refuse collection operations.

The Fund derives its revenues from base tipping fees assessed on a tonnage basis for accepting refuse at the Brown Station Road Landfill; environmental surcharges on waste accepted at the Brown Station Road facility; recycling, bulky trash and systems benefit fees, and pass through charges from homeowners receiving contract refuse collections.

## B. Fiscal Policy Statement

One of the fundamental criteria used in deciding the schedule of projects in the Capital Improvement Program is the County's ability to make debt service payments on GOB's issued to finance the capital costs of facilities. The County's debt service policy allows GOB sales to the extent that:

1. The ratio of net direct bonded debt to assessed value will not exceed 3.0%, based upon full market value.
2. The ratio of General Fund net debt service costs (i.e., principal and interest payments less recoveries) to General Fund expenditures will not exceed 8.0%.

Over the last ten years, the ratio of net bonded debt to assessed value has remained relatively consistent. This indicates that the growth in the assessable base has kept pace with the County's need to finance new capital facilities and retire outstanding debt. The following table illustrates the County's conformance to its fiscal policies:

PRINCE GEORGE'S COUNTY, MARYLAND

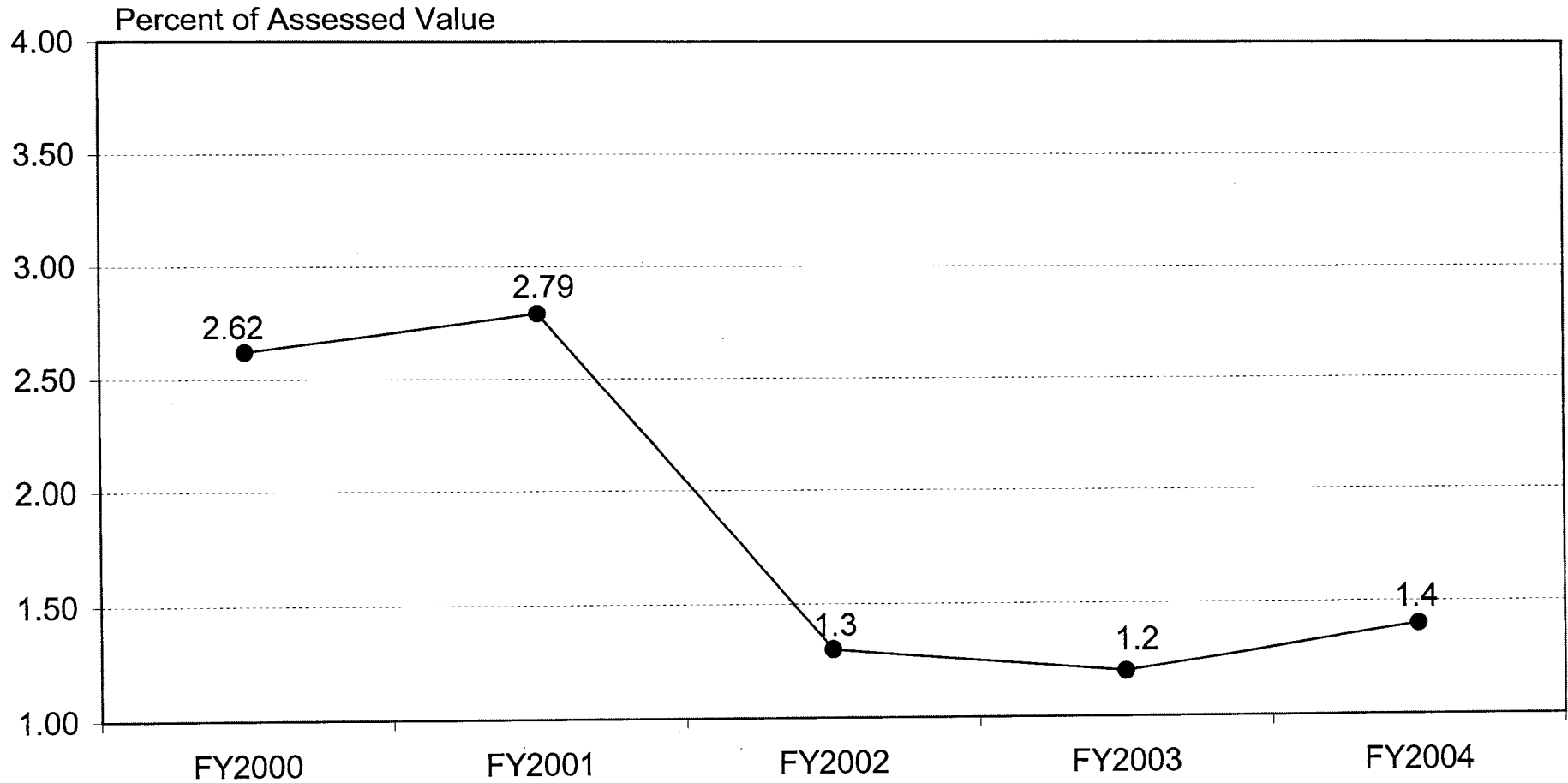
Ratio of Net Direct Debt to Assessed Value and Debt Service as % of General Fund Expenditures

Fiscal Year	Assessed Value (note 1)	Net Direct Debt (note 2)	Ratio of Net Direct Debt to Assessed Value	Total Debt Service (note 3)	Total General Government Expenditures	Debt Service as a % of General Fund Expenditures
2004	\$48,849,100,000	\$661,141,076	1.40%	\$73,967,100	\$1,389,519,713	5.3%
2003	\$43,705,700,000	\$551,729,272	1.20%	\$65,976,248	\$1,246,669,925	5.3%
2002	\$42,190,700,000	\$512,986,731	1.20%	\$63,976,248	\$1,246,669,925	5.2%
2001	\$17,891,768,130	\$507,496,857	2.79%	\$60,581,264	\$1,148,332,183	5.3%
2000	\$17,891,768,130	\$468,598,727	2.62%	\$56,732,832	\$1,079,909,252	5.3%
1999	\$17,525,978,395	\$426,735,523	2.43%	\$54,205,334	\$1,011,140,907	5.4%
1998	\$17,159,141,300	\$390,313,990	2.27%	\$51,764,035	\$988,984,597	5.2%
1997	\$16,991,421,580	\$420,733,003	2.48%	\$50,796,944	\$974,190,426	5.2%
1996	\$16,678,955,890	\$413,966,874	2.48%	\$48,511,106	\$928,481,163	5.2%
1995	\$16,381,235,790	\$426,151,116	2.60%	\$46,826,549	\$956,784,373	4.9%

Source: Comprehensive Annual Financial Report – For the year Ended June 30, 2004 – Statistical Section – Table 7 and Table 10

1. The General Assembly during its 2000 session revised the formula for the calculation of the assessable base by converting to an assessment system based on full market value. The former system used 40% of market value for assessment purposes. This change was effective as of FY 2002 and is revenue neutral. The assessable base chart appearing above continues to use historical data through FY 2001 that was based on the system in effect in these years. Beginning in FY 2002, the new assessable base numbers reflect the revised formula.
2. This amount represents the County's general obligation bonded debt.
3. Represents debt service expenditures for general obligation bonds.

### Ratio of Net Direct Debt to Assessed Value\*



\*See footnote (1) on Page 31  
FY 2002 and FY 2003 based upon full market value