

# NON-DEPARTMENTAL

## ***DEBT SERVICE***

	FY2004 ACTUAL	FY2005 BUDGET	FY2005 ESTIMATED	FY2006 APPROVED	CHANGE FY2005-FY2006
<b>Principal</b>					
Schools (GOB's)	\$ 16,370,627	\$ 18,136,400	\$ 18,136,500	\$ 18,481,700	1.9%
Mass Transit	4,373,512	4,174,100	4,174,100	3,063,900	(26.6%)
Roads (GOB's)	10,956,763	12,352,000	12,352,000	13,471,600	9.1%
Roads (State Loans)	812,025	0	0	0	0.0%
Public Buildings	4,842,096	4,976,300	4,976,300	4,834,100	(2.9%)
Fire	972,012	952,600	952,600	813,500	(14.6%)
Community College	799,207	958,200	958,200	1,121,000	17.0%
Correctional Facilities	1,591,340	1,578,200	1,578,200	1,183,500	(25.0%)
Library	1,035,075	1,202,800	1,202,800	1,277,500	6.2%
Health	229,454	295,300	295,300	336,100	13.8%
Police	1,251,025	1,145,000	1,145,000	1,004,000	(12.3%)
Hospital	38,889	34,000	34,000	25,300	(25.6%)
Industrial Development					
Authority Debt	2,034,153	1,910,200	1,910,200	-	(100.0%)
MILA Debt	1,793,462	99,700	18,700	20,000	(79.9%)
Local Government Insurance					
Trust (LGIT) Debt	890,000	945,000	945,000	995,000	5.3%
Current Year Bond Sale	0	0	0	0	0.0%
<b>TOTAL</b>	<b>\$ 47,989,640</b>	<b>\$ 48,759,800</b>	<b>\$ 48,678,900</b>	<b>\$ 46,627,200</b>	<b>(4.4%)</b>

## NON-DEPARTMENTAL

## GENERAL FUND

	FY2004 ACTUAL	FY2005 BUDGET	FY2005 ESTIMATED	FY2006 APPROVED	CHANGE FY2005-FY2006
<b>INTEREST AND SERVICE CHARGES</b>					
Schools (GOB's)	\$ 15,447,907	\$ 15,147,500	\$ 17,093,800	\$ 17,003,800	12.3%
Mass Transit	1,760,346	1,509,400	1,574,500	1,503,300	(0.4%)
Roads (GOB's)	10,084,887	9,895,000	11,096,800	11,601,900	17.3%
Roads (State Loans)	19,489	0	0	0	0.0%
Public Buildings	3,235,530	3,101,100	3,488,500	3,843,600	23.9%
Fire	584,236	547,200	569,600	700,900	28.1%
Community College	581,092	550,300	720,200	727,700	32.2%
Correctional Facilities	671,406	599,400	703,600	747,400	24.7%
Library	925,255	924,000	965,300	987,900	6.9%
Health	317,460	307,200	304,400	290,300	(5.5%)
Police	388,478	328,700	328,100	750,000	128.2%
Hospital	10,917	9,000	9,000	15,700	74.4%
Industrial Development Authority Debt	4,047,133	4,184,600	4,184,600	-	(100.0%)
MILA Debt	111,878	109,500	23,300	21,900	(80.0%)
Local Government Insurance Trust (LGIT) Debt	670,410	618,100	618,100	561,800	(9.1%)
Current Year Bond Sale/Refinancing	0	3,532,600	0	2,360,000	(33.2%)
<b>TOTAL INTEREST AND SERVICE CHARGES</b>	<b>\$ 38,856,424</b>	<b>\$ 41,363,600</b>	<b>\$ 41,679,800</b>	<b>\$ 41,116,200</b>	<b>(0.6%)</b>
<b>PRINCIPAL</b>	<b>47,989,640</b>	<b>48,759,800</b>	<b>48,678,900</b>	<b>46,627,200</b>	<b>(4.4%)</b>
<b>TOTAL PRINCIPAL, INTEREST AND SERVICE CHARGES</b>	<b>\$ 86,846,064</b>	<b>\$ 90,123,400</b>	<b>\$ 90,358,700</b>	<b>\$ 87,743,400</b>	<b>(2.6%)</b>
Less:					
State IDA Int.	\$ (345,400)	\$ (345,400)	\$ (1,515,800)	\$ -	(100.0%)
Mass Transit	(6,173,614)	(5,695,500)	(5,695,500)	(4,567,200)	(19.8%)
Pre-TRIM Debt	(8,921)	0	0	0	0.0%
School Surcharge	(4,306,299)	(6,094,200)	(6,082,800)	(6,955,200)	14.1%
<b>NET COUNTY DEBT</b>	<b>\$ 76,011,830</b>	<b>\$ 77,988,300</b>	<b>\$ 77,064,600</b>	<b>\$ 76,221,000</b>	<b>(2.3%)</b>

**FY 2006 Debt Issuance Plan**

In FY 2006, Prince George's County is planning to issue new general obligation debt of approximately \$121.9 million. The main factor behind the debt issuance continues to be the construction of public schools, followed by road repair and roadway enhancements. Current debt climate remains favorable in a historical context. In FY 2004, the County maintained its bond rating of AA by S&P and Fitch, and received a rate upgrading from Aa3 to Aa2 by Moody's. During FY 2005 Fitch upgraded the County to AA+.

**Outstanding General Fund Direct Debt**

**Direct Debt** is debt incurred by the Prince George's County government in its own name. The gross outstanding general fund debt, the amount that would be due if 100% of the principal were due on June 30, includes the County's General Obligation Bonds, Parking Authority Revenue Bonds and Maryland Local Government Insurance Trust (LGIT) obligations issued for self-insurance liability funding.

**Net Direct Debt** is gross debt less (1) gross debt payable primarily from user charges or other identified debt-supporting revenue streams and (2) gross debt reimbursable from the State of Maryland. On June 30, 2002, County net direct debt was \$513.0 million; on June 30, 2003 the outstanding net direct debt totaled \$551.7 million; and on June 30, 2004, the outstanding net direct debt was \$661.1 million.

**Self-Supporting Debt.** Portions of the gross direct debt are considered to be self-supporting, i.e., not dependent on County tax revenues. Self-supporting outstanding debt, including debt that is repaid solely from the County's share of certain State-collected taxes and user charges, is detailed below:

<b>SELF-SUPPORTING DIRECT DEBT</b>		
(Millions \$'s)		
	6/30/2003	6/30/2004
Mass Transit Debt (WSTC)	\$ 41.5	\$ 34.6
Stormwater Management	34.6	41.8
County Solid Waste Management Bonds	73.4	67.9
School Surcharge-supported	61.5	105.9
Maryland Development Debt	2.2	0.3
Maryland CDA Infrastructure	1.0	1.0
State Bonds	0.8	0.0
<b>Total Self-Supporting Debt</b>	<b>\$ 215.0</b>	<b>\$ 251.5</b>

SOURCE: Official Statement, 6/15/2003, Prince George's County General Obligation Consolidated Public Improvement Bonds Series 2003A and General Obligation Consolidated Public Improvement Refunding Bonds Series 2003B, Page 70.  
Comprehensive Annual Financial Report for the Year Ended June 30, 2004, Prince George's County, Maryland, Page XII-10.

**NET TAX-SUPPORTED GENERAL FUND DEBT**  
(Millions \$'s)

	Actual 6/30/2002	Actual 6/30/2003	Actual 6/30/2004
Net Direct Debt	\$ 513.0	\$ 551.7	\$ 661.1
Overlapping Debt	37.9	36.4	55.9
<b>TOTAL</b>	<b>\$ 550.9</b>	<b>\$ 588.1</b>	<b>\$ 717.0</b>
<b>ANNUAL GROWTH</b>		<b>\$ 37.2</b>	<b>\$ 128.9</b>

SOURCE: Official Statement, 6/15/2003, Prince George's County General Obligation Consolidated Public Improvement Bonds Series 2003A and General Obligation Consolidated Public Improvement Refunding Bonds Series 2003B, Page 72.  
Comprehensive Annual Financial Report for the Year Ended June 30, 2004, Prince George's County, Maryland, Page XII-10.

#### **Debt Service and Other Payments**

When debt is issued, the County is given a debt service payment schedule similar to the amortization payments given a citizen when he borrows money to purchase a home or a car. The County is required to budget annually for the payment of principal and interest due on the amount of debt that it has incurred along with the annual premium payments and lease payments described under "Other Obligations". (Parking Authority debt and certain other lease payments are shown under Other Non-Departmental.)

From time to time, the County reviews its debt to see if it should restructure or refinance the debt to minimize its cost or to maximize cash flow requirements. A similar technique is used by the taxpayer who refinances his mortgage when interest rates are lowered, resulting in a reduced monthly payment. Or, the taxpayer may choose the lower interest rate and opt for the same monthly payment and thus pay off his debt much quicker.

The County is obligated for its first payment of interest six months after debt is issued; principal is due twelve months after the debt is issued.

#### **Recoveries**

Portions of the debt and obligations related to mass transit are retired through dedicated tax levies. Starting from FY 2001, school surcharge revenues have been used to offset part of the cost of new school construction.

**Debt Service General Fund Sources**

Highway User Revenue is allocated between the Highway Maintenance Division in the Department of Public Works and Transportation and Debt Service for roads.

**Debt Levels**

County debt level is growing due to the rising needs for capital projects, in particular school constructions. However, the debt level remains relatively low as measured by various indicators shown in the following table. The County plans to keep the debt levels below its self-imposed and statutory limits.

Fiscal Year	Population	Assessed Value	Net Direct Debt	% of Net Direct Debt to Assessed Value	Net Direct Debt Per Capita	Debt Service as a % of General Fund Expenditures
2004	838,716	\$46,022,798,662	\$661,141,076	1.4%	\$788	4.2%
2003	829,372	43,832,133,344	551,729,272	1.3%	665	3.8%
2002	818,119	42,190,778,637	512,986,731	1.2%	627	3.9%
2001	803,649	18,182,903,909	507,496,857	2.8%	631	4.2%
2000	795,048	17,891,768,130	468,598,727	2.6%	589	4.3%
1999	789,037	17,525,978,395	426,735,523	2.4%	541	4.3%
1998	780,666	17,159,141,300	390,313,990	2.3%	500	4.5%
1997	774,007	16,991,421,580	420,733,003	2.5%	544	4.7%
1996	765,681	16,678,955,890	413,966,874	2.5%	541	4.5%
1995	757,553	16,381,235,790	426,151,116	2.6%	563	4.3%

**Notes:**

1. Population estimates are from the U.S. Bureau of the Census, Population Estimates Branch. Population figures are determined at the close of each calendar year.
2. Beginning in fiscal year 2002, real property assessed value in Maryland has been adjusted from approximately 40% of market value to full market value (100%) by the State Department of Assessment and Taxation. Personal property assessed value remains unchanged at full market value.
3. The amount of net direct debt represents the County's general obligation bonded debt - which excludes the Primary Government's Stormwater Management Enterprise Fund bonds paid with dedicated tax collections, Solid Waste Management System bonds repaid from user charges, debt for parks reimbursed by the joint venture M-NCPPC, and debt for mass transit reimbursed by the WSTC (joint venture) - and includes Parking Authority's (component unit) bonded debt.

SOURCE: Comprehensive Annual Financial Report for the Year Ended June 30, 2004, Prince George's County, Maryland, Page XII-4 and Page XII-8.

**GRANTS AND TRANSFER PAYMENTS**

GRANT PROGRAM	FY2004 ACTUAL	FY2005 APPROVED	FY2005 ESTIMATED	FY2006 APPROVED	CHANGE FY2005-FY2006
Grants to Community Organizations	\$ 894,450	\$ 1,215,000	\$ 1,215,000	\$ 1,320,000	8.6%
Required Payments	154,932	213,000	213,000	185,000	-13.1%
Economic Development Corporation	900,000	1,406,500	1,406,500	1,400,000	-0.5%
Financial Services Corporation	656,500	580,000	580,000	580,000	0.0%
Prince George's Community Television	0	0	0	726,600	100.0%
Other Economic Development	365,539	73,000	73,000	74,000	1.4%
Conference and Visitors Bureau	540,000	600,000	600,000	660,000	10.0%
Memberships	581,689	526,700	526,700	468,000	-11.1%
Strategic Goals Initiative	0	600,000	600,000	850,000	41.7%
Capital Grants/Community Facilities	0	0	0	0	0.0%
Dimensions Health Corporation	5,000,000	5,000,000	5,000,000	10,820,000	116.4%
Transfers to CIP	513,400	0	0	50,122,500	100.0%
Other	579	0	0	875,000	100.0%
<b>TOTAL</b>	<b>\$ 9,607,089</b>	<b>\$ 10,214,200</b>	<b>\$ 10,214,200</b>	<b>\$ 68,081,100</b>	<b>566.5%</b>

**Grants to Community Organizations** – These grants help to support a wide range of organizations serving citizens of all ages and cultural heritages. The objectives of these organizations vary from providing or enhancing recreational or educational opportunities to assisting persons who are experiencing crises or who can benefit from other types of assistance.

**Required Payments** – Amounts shown here represent anticipated costs mandated by State or local legislation, regulation, or contractual agreement.

**The Economic Development Corporation** – Under contract to the County, the Economic Development Corporation promotes economic development and neighborhood and business revitalization, collaborating with the business community and other public entities.

**Financial Services Corporation** – This funding supports the Financial Services Corporation, which is a non-profit corporation that provides non-traditional financing for small and minority owned businesses in Prince George's County.

**Prince George's Community Television** - For FY 2006, funding is transferred from the Office of Community Relations to Non-Departmental, and supports local programming.

**Other Economic Development** – Regional marketing and administrative programs are supported by these funds.

**The Conference and Visitors Bureau** – This funding supports the Conference and Visitors Bureau, which is a promotional agency under contract to the County that is an element of the County's comprehensive economic and cultural development program.

**Membership** – This funding represents the cost of the County’s participation fees in various organizations.

**Strategic Goals Initiative** – These funds will be utilized to further the objectives of the County, in particular the Livable Communities strategy and the County’s new economic development strategy through support of costs which were not addressed elsewhere in the County budget.

**Dimensions Health Corporation** –These resources are designated to support the County’s public hospital – Prince George’s Hospital Center.

**Transfers to CIP** – These resources are designated to support several facilities, including \$1.1 million for a new Center for Health Studies at the Prince George’s Community College, \$1 million for the African-American Cultural Center at North Brentwood, \$12.9 million for the Suitland Manor revitalization project, \$30.0 million for various school projects, and \$5.0 million for a public safety communications system.

**Other** – This funding provides resources for various contingencies and interim appropriations.

**OTHER NON-DEPARTMENTAL EXPENSES**

	FY2004 ACTUAL	FY2005 APPROVED	FY2005 ESTIMATE	FY2006 APPROVED	CHANGE FY2005-FY2006
General Fund Insurance	\$ 5,092,700	\$ 5,300,000	\$ 5,300,000	\$ 6,000,000	13.2%
Judgments and Losses	0	384,700	384,700	300,000	(22.0%)
Postage	1,229,932	1,321,900	1,321,900	1,200,000	(9.2%)
Real Estate Acq. Program	4,421,866	4,739,500	4,739,500	4,595,900	(3.0%)
Equipment Leases	7,403,935	5,196,800	5,196,800	7,150,400	37.6%
Other Leases	9,155,824	2,380,000	8,474,800	8,366,700	251.5%
Utilities	3,824,610	4,229,800	4,229,800	4,538,800	7.3%
Street Light Electricity	1,935,119	1,602,200	1,602,200	1,349,600	(15.8%)
Traffic Signal Electricity	3,766,815	4,250,000	4,250,000	3,948,400	(7.1%)
Miscellaneous Expenses	604,782	1,350,000	1,350,000	1,235,200	(8.5%)
Compensated Absences	0	11,900	11,900	0	(100.0%)
Parking Authority Debt Pymts	1,279,155	1,277,400	1,277,400	0	(100.0%)
State Debt Assumption Pymts	2,999,912	1,303,600	1,303,600	1,136,400	(12.8%)
Deferred Compensation in Lieu	127,378	70,000	70,000	100,000	42.9%
Miscellaneous Pensions	2,960	194,800	194,800	3,000	(98.5%)
Unemployment Insurance	238,000	250,000	250,000	250,000	0.0%
Retiree Life Benefits/Annuities	881,173	625,000	625,000	900,000	44.0%
Retiree Health Benefits	11,860,573	10,000,000	10,000,000	12,000,000	20.0%
Other Benefit Cost	19,057	0	0	0	0.0%
Transfer to Grant Funds	0	0	0	0	0.0%
Department of Justice Settlement Costs	0	1,500,000	1,500,000	1,500,000	0.0%
<b>Sub-Total</b>	<b>\$ 54,843,791</b>	<b>\$ 45,987,600</b>	<b>\$ 52,082,400</b>	<b>\$ 54,574,300</b>	<b>18.7%</b>
<b>Expenditure Recoveries</b>					
Retiree Benefits	(500,341)	(500,100)	(500,100)	(500,100)	0.0%
Leases/Utilities	(2,741,178)	(1,989,400)	(3,505,200)	(3,700,800)	86.0%
Washington Suburban Transit Corp.	(145,000)	(145,000)	(145,000)	(145,000)	0.0%
Acquisition Program	(1,104,196)	(879,200)	(879,200)	(1,104,200)	25.6%
Postage	(170,852)	(198,300)	(198,300)	(180,000)	(9.2%)
Other	(2,138,046)	(1,317,100)	(1,317,100)	(1,635,100)	24.1%
<b>Sub-Total</b>	<b>\$ (6,799,613)</b>	<b>\$ (5,029,100)</b>	<b>\$ (6,544,900)</b>	<b>\$ (7,265,200)</b>	<b>44.5%</b>
<b>Total</b>	<b>\$ 48,044,178</b>	<b>\$ 40,958,500</b>	<b>\$ 45,537,500</b>	<b>\$ 47,309,100</b>	<b>15.5%</b>

FY 2006 Reporting Change for IDA Lease Expense (formally in Debt Service)  
Other Leases - \$6.090M  
Lease Recoveries - \$1.515M

**EXPENSES****General Fund Insurance (Self-Insurance Fund)**

General Fund Insurance is managed by the Risk Management Unit in the Office of Finance and insures fire, casualty, automobile, and public losses. The Self-Insurance Fund is composed of the following governmental entities: the County, the Community College, the Library, and the Board of Education. Contribution levels are based on the results of an annual actuarial study.

The total General Fund Insurance Budget is \$16.0 million. Of that amount, \$6.0 million is budgeted in Other Non-Departmental, and the remaining \$10.0 million of Worker's Compensation is allocated throughout the County Government.

**Judgments and Losses**

This appropriation represents contingent small claims payouts by the County.

**Postage**

The postage appropriation for FY 2006 reflects expenses for metered mail, permit mail, and courier services. Approximately 15% of postage costs are recovered from various agencies each year. These costs reflect FY 2004 Actual Expenditures. No rate increases are anticipated in FY 2006.

**Real Estate Acquisition Program (REAP)**

On May 3, 1991, pursuant to the Real Estate Acquisition Program (REAP), the County financed the acquisition of two leased properties. The agreement required annual appropriations beginning in FY 1994 to pay annual purchase installment payments. REAP II was issued in August 1994 totaling \$21.9 million. The financing consisted of the purchase of five facilities and the relocation of over 600 employees in 10 different County agencies. The FY 2006 cost of the various REAP leases payment is \$4.6 million.

**Equipment Leases**

The FY 2006 proposed expenditure includes the principle and interest payment on the 2001, 2004 and 2005 leases purchase payments. It also includes resources for voting machine rentals.

**Other Leases**

The Office of Central Services is responsible for maintaining the County's lease agreements for various locations. There is a slight reduction in FY 2006 due to agency movements associated with Courthouse repairs. The County has agreed to pay the Industrial Development Authority of Prince George's County for payments due on lease revenue bonds through annual lease payments. The Authority uses the lease payments to retire its outstanding debt. Most of the debt proceeds were used to build the Prince George's Courthouse in Upper Marlboro.

**Utilities**

Utility costs reflect FY 2006 projected expenditure levels for all electricity, gas, oil, and propane used by the County.

**Street Lights**

Street Lights represent electrical energy costs for street lights maintained by the County.

**Traffic Signals**

Traffic Signals reflect the operational funding for traffic signals provided by the County for vehicular and pedestrian safety.

**Miscellaneous Expenses**

This category includes mandatory interest payments paid to taxpayers whose taxes were rebated or reduced after a final determination of an appeal. The interest is calculated at the same rate as delinquent taxes. It also includes resources for general and administrative services related to the implementation of the County's strategic plan.

**Compensated Absences**

The current position of retirees sick and annual leave payments attributable to services already rendered is budgeted here.

**State Debt Assumption**

The County makes payments on various County facilities that have been financed with State debt.

**Deferred Compensation in Lieu of State Retirement**

Several appointed employees have elected to participate in a Deferred Compensation Plan in lieu of the Maryland State Pension System. These costs are included in this category.

**Miscellaneous Pensions**

A teacher who retired in 1962 is eligible for a supplementary County retirement payment in the amount of \$25.00 per month. Another retiree was added in FY 1998. Article 73B, Section 63, of the Annotated Code of Maryland requires that the County Council of Prince George's County levy and pay pensions to former judges of the People's Court or their surviving spouses. Eligibility is based on court service as provided in the aforementioned law. Additionally under State law (Estates and Trusts Article, Section 2-108), the County must pay pensions to former judges of the County's Orphans' Court.

**Unemployment Insurance**

This represents the anticipated unemployment insurance claims (County portion) payable during the fiscal year.

**Retiree and Other Health Insurance**

The County portion of Health Insurance costs for retired employees is funded in this category. Unlike health insurance costs for active employees, these costs cannot be easily assigned to individual departments. These costs are projected to increase over the FY 2005 approved amount due primarily to higher than anticipated health insurance cost projections.

**Department of Justice Settlement Costs**

The \$1.5 million is budgeted for anticipated costs associated with the Department of Justice settlement with the County Police Department.

**Expenditure Recoveries (Project Charges)**

Expenditure Recoveries are from non-general funds for the use of space at the Inglewood Center and REAP II recoveries, recovery of costs from the Washington Suburban Transit Commission for mass transit activities, charges for utilities, maintenance and equipment usage payments, retiree health insurance recoveries, and postage recoveries from various funds. FY 2006 recoveries include certain payments by the state of Maryland for a portion of the IDA lease payments.

***CONTINGENCIES***

	FY2004 ACTUAL	FY2005 BUDGET	FY2005 ESTIMATED	FY2006 APPROVED	CHANGE FY05-FY06
Compensation Contingency	\$ 397,400	\$ 0	\$ 0	\$ 3,500,000	100.0%
Operating Contingency	\$ 0	\$ 0	\$ 0	\$ 700,000	
Leave Payout Contingency	\$ 69,700	1,350,000	\$ 1,350,000	\$ 500,000	-63.0%
<b>TOTAL</b>	<b>\$ 467,100</b>	<b>\$ 1,350,000</b>	<b>\$ 1,350,000</b>	<b>\$ 4,700,000</b>	<b>248.1%</b>

The approved compensation contingency covers cost of living increases and other items contained in bargaining agreements, such as shift differential and clothing allowances. Funds are being budgeted in Non-Departmental because the results of negotiations by individual bargaining groups are unknown at this time (all County bargaining agreements expire June 30, 2005). Merit increases for eligible employees are included in the agency budgets.

The approved contingency for leave payout is lower than most prior years to reflect an expectation that the number of retirements and departures will trend downward and that the agency budgets will accommodate the associated expense.

A \$700,000 operating contingency has been moved from the Office of Information Technology and Communications to Non-Departmental for the County's 3-1-1 Call Center.