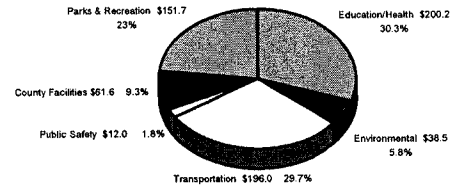


THE CAPITAL IMPROVEMENT PROGRAM AND CAPITAL BUDGET



FY2007 Approved Capital Budget Expenditures

(\$ Millions)



TOTAL: \$660,011,000

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 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 2007-2012 Capital Improvement Program and Budget

The FY 2007-2012 CIP consists of 386 projects totaling \$1.95 billion, including projects for the Maryland-National Capital Park and Planning Commission and the Redevelopment Authority.

The FY 2007 Capital Budget consists of 305 projects totaling \$660.0 million. When subtracting the \$151.7 million associated with Maryland-National Capital Park and Planning Commission projects, and the \$83.9 million associated with the Redevelopment Authority, the County's portion of the capital budget amounts to \$424.4 million. The amount of County general obligation bonds programmed for sale in FY 2007 to support capital budget expenditures is \$163.4 million.

The remainder of this section provides an overview of the FY 2007 Capital Budget by functional area and highlights key capital projects. The expenditure amounts noted in the project highlight sections are the total project cost, unless otherwise indicated. For additional details, please consult the FY 2007-2012 CIP.

Education and Health

The education and health portion of the Capital Budget comprises \$220.2 million, or 30.3% of the total budget. This category includes expenditures for the Board

of Education (BOE), Prince George's Community College, Prince George's Memorial Library, and the Health Department. The County and State share in the construction costs for Community College facilities, which comprises 12.8% of the allocation to this category.

BOE expenditures account for 78.2% of the total expenditures for this category. BOE revenue comes from the sale of general obligation bonds and from State aid. Under the current State funding formula, the State should pay for 75% of all eligible school construction costs up to the first \$35 million allocated. For awards over \$35 million, the State pays 60% of eligible costs. This formula will be in effect through FY 2008. In FY 2007, the State has allocated to date \$37.4 million to the County for school construction.

Key Projects

Board of Education

- Bowie Area Elementary School (\$16,240,000) – A new school to accommodate 742 students.
- High School Classroom Addition at Duval High School (\$16,400,000) - A 600 seat addition.
- High School Classroom Addition at Parkdale (\$19,000,000) – A 400 seat addition.
- High School Classroom Addition at Potomac (\$24,000,000) – A 600 seat addition.
- Dr. Henry A. Wise, Jr. High School (\$85,450,000)- A new 2,600 seat high school in Upper Marlboro.

Community College

- Accokeek Hall Renovation (\$4,874,000)- A 58,453 square foot renovation to the college library.
- Center for Health Studies (\$36,577,000) – A 110,075 square foot academic building to house and support the health programs.

Library

- Council District 6/4 Branch (\$6,675,000) – A new branch library in South Bowie.
- Laurel Branch Expansion (\$6,438,000) – A new facility built on the existing site.

Transportation and Economic Development

The transportation and economic development component is budgeted at \$196.0 million, or 29.7% of the total budget. Agencies within this category include Public Works 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

- Ammendale & Virginia Manor Roads III (\$23,056,000) – A multi-lane roadway from US-1 to I-95.
- Cherry Hill Road I and II (\$14,435,000) – A 4 to 5 lane undivided urban road between Sellman Road and the Montgomery County line.
- Ritchie Road and Forestville Road (\$13,388,000) – Widening Ritchie Road from Alberta Drive to Marlboro Pike and widening Forestville Road from Marlboro Pike to Maryland Route 4.
- Traffic Congestion Improvements (\$6,303,000 in FY 2007) – Adding turning lanes, improving approaches, and adding signage at various intersections.

Parks and Recreation Facilities

A third portion of capital budget spending is for parks and recreation facilities, accounting for \$151.7 million, or 23% of the total FY 2007 Capital Budget. This part of the capital program is administered by the Maryland-National Capital Park and Planning Commission. Funding comes from a combination of sources that include the sale of bonds by the Commission, State aid under Program Open Space, developer contributions, 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

- Bladensburg Waterfront (\$8,680,000) - Restore the waterfront for recreational use

- Southern Regional Tech/Recreation Center (\$9,800,000) –A technology and recreation complex in the greater Oxon Hill area.
- Walker Mill Regional Park (\$4,340,000) – Additional trails, picnic areas, and playgrounds.

Environment

Approximately 5.8% of the Capital Budget or \$38.5 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 with either general obligation or 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

- Environmental Protection Program (\$3,092,000 in FY 2007) - Retrofit multiple facilities within various County watersheds with water quality control devices, and rehabilitate streams and wetlands to limit pollutant discharges.
- Environmental Revitalization (\$3,173,000 in FY 2007) – Restore, monitor, model, and protect the environment in urbanized settings, with emphasis on pollution prevention, water quality improvement, flood control, and the creation of wetlands.

Solid Waste Management

- Sandy Hill Sanitary Landfill (\$1,540,000 in FY 2007) - The closure 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 2007 Capital Budget. These two functions account for 11.2% of the FY 2007 Capital Budget, or \$73.6 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 Housing Renovations (\$3,154,000) – Upgrade and refurbish Detention Center housing units.

- Work Release Detox Center (\$6,650,000) – A work release and detoxification center for adult male and female offenders built on the County Correctional Center site.
- Seat Pleasant Volunteer Station (\$3,117,000) – Relocating the Seat Pleasant Volunteer Fire Department to a larger station located within the greater Seat Pleasant area.

Other County Facilities

- Animal Management Facility (\$9,110,000) - A replacement animal management facility.
- Duvall Wing Rebuild - (\$46,090,000) - Rebuilding the fire destroyed Duvall Wing of the Courthouse.
- County Building Renovations (\$5,600,000 in FY 2007) - Major renovations to County-occupied space, including renovations to the County Administration Building and the Central Communications Facility.

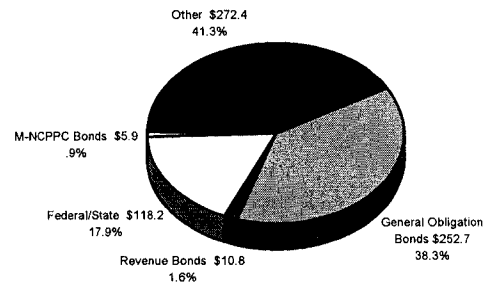
Revenues

The FY 2007 Capital Budget is supported by multiple revenue sources. In all, 82.1% of the program is supported by locally-raised revenues. General obligation bonds comprise an important component, at \$252.7 or 38.3% of the total budget. Revenue bonds account for \$10.8 million or 1.6% of the total. Maryland-National Capital Park and Planning Commission bonds support 0.9% of the total at \$5.9 million. Federal and State aid provides \$118.2 million, or 17.9% of the Capital Budget. The remaining \$272.4 million or 41.3% is comprised of miscellaneous revenues and developer contributions. The FY 2007 Capital Budget is supported by revenues received in prior fiscal years and by new sources to be generated in FY 2007.



FY2007 Approved Capital Budget Revenues

(\$ Millions)



TOTAL: \$660,011,000

SUMMARY OF THE FY 2007-2012 CAPITAL IMPROVEMENT PROGRAM
EXPENDITURES, BY AGENCY OR PROGRAM

(Dollars in Thousands)

AGENCY/PROGRAM	FY 2007 APPROVED CAPITAL BUDGET	FY 2007-2012 APPROVED CAPITAL PROGRAM
Board of Education	\$ 156,510	\$ 724,477
Stormwater Management	17,456	65,533
Parks and Recreation	151,685	193,525
Hospitals	14,000	14,000
Public Works & Transportation	106,198	396,193
Library	1,650	38,391
Health	2,520	2,920
Corrections	2,081	22,850
Police	400	4,818
Fire/EMS	9,560	33,015
Solid Waste Management	21,088	65,697
Community College	25,548	89,436
Central Services	61,575	161,765
Redevelopment Authority	83,905	135,895
Federal Programs	5,835	5,835
TOTAL	\$660,011	\$1,954,350

Operating Impacts

Constructing capital projects affects 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, existing 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 General Fund expenditures not to exceed 8.0%. The level of this ratio is 6.1% as of June 30, 2005, which is within this limit.
- County policy limits net direct debt to no more than 3.0% of the full market assessed value. 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 1.7% for FY 2005.

(2) *Capital projects that represent new initiatives or that add additional space to existing facilities do 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 occupants may even realize cost savings. Renovations of existing facilities or infrastructure, the impacts on the operating budget are minimal. In the case of resurfacing, road maintenance costs should decrease, resulting in operating budget savings.

Key Operating Impacts

- In FY 2007, two new elementary schools and one new high school will open. The total impact of these openings on the FY 2007 Operating Budget is approximately \$5.6 million.
- 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. Experience has shown that a formula using a percentage of total project construction cost can serve as a guide to operating impacts. Based on this formula, the

stormwater management capital budget of \$17.5 million can be expected to generate new annual operating expenses of approximately \$108,000 over each of the next three fiscal years. This added cost will be supported by the Stormwater Management Enterprise Fund.

- The operating impact of the Brown Station Landfill Expansion will be charged to the Solid Waste Enterprise Fund rather than to the General Fund. This project carries with it the requirement for the pretreatment of leachate, with new estimated operating costs of \$1.5 million per year.

