

## 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 2011-2016 Capital Improvement Program and Budget

The FY 2011-2016 CIP consists of 421 projects totaling \$1.9 billion, including projects for the Maryland-National Capital Park and Planning Commission and the Redevelopment Authority.

The FY 2011 Capital Budget consists of 135 projects totaling \$416.4 million. Of that total, 51 projects totaling \$101.7 million are Maryland-National Capital Park and Planning Commission projects and are not financially supported by the County. The amount of County general obligation bonds programmed for sale in FY 2011 to support capital budget expenditures is \$100.7 million. Certain bonds are to be supported by school surcharge funds; in addition school surcharge, funds support Pay As You Go (PAYGO) school projects.

The remainder of this section provides an overview of the FY 2011 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 2011-2016 CIP.

#### Education and Health

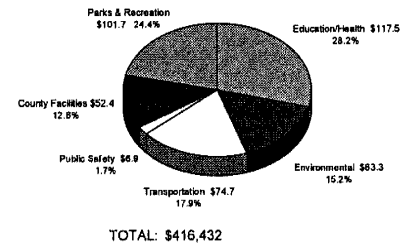
The education and health portion of the FY 2011 Capital Budget comprises \$117.5 million, or 28.2% of

the total budget. This category includes expenditures for the Board of Education (BOE), Prince George's Community College, Prince George's Memorial Library, and the Health Department. The County and State share in the construction costs for Community College facilities which comprises 12.4% of the allocation to this category.



### FY2011 Proposed Capital Budget Expenditures

(\$ Millions)



BOE expenditures account for \$98 million or 83.4% 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 75% of all eligible school construction costs up to the first \$35 million allocated. For awards over \$35 million, the State pays 69% of eligible costs. This formula will be in effect through FY 2011. To date the State has allocated \$22.5 million to the County for FY 2011 school construction projects at a 90% funding level.

### Key Projects

#### *Board of Education*

- Planning SubRegion VI ES (\$25,406,000) – A new 788 seat elementary school.
- Laurel HS Auditorium & Classroom Addition (\$28,000,000) – A 400 seat addition and an 800 seat auditorium.
- Greenbelt MS Renovation (\$54,434,000) – Restoring the historic 1937, 1945 and 1953 sections.

#### *Community College*

- Center for Health Studies (\$44,344,000) - A 110,075 square foot academic building to house and support the health programs.

#### *Library*

- Library Branch Renovations (\$1,345,000) – Replacing carpet, roofs, HVAC systems, fences, walkways, parking lots and ADA

compliant entrances at various library branches.

- Laurel Library Expansion (\$3,000,000) – A new 32,000 square foot library with a large community meeting room and public service area.

#### Transportation and Economic Development

The transportation and economic development component is budgeted at \$74.7 million, or 17.9% of the total FY 2011 Capital Budget. Agencies within this category include 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*

- Bridge Replacement – Bock Road (\$8,784,000) – Replacing the Bridge over Henson Creek.
- Mt. Oak Road/Church Road/Woodmore Road (\$15,719,000) – Geometric improvements to the intersection and approach roadways.

#### Parks and Recreation Facilities

A portion of capital budget spending is for parks and recreation facilities, accounting for \$101.7 million, or 24.4% of the total FY 2011 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*

- Enterprise Golf Course (\$3,054,000) – Renovation of the existing facility.
- 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.
- Montpelier Elementary School Gym Addition (\$3,400,000) – A gym addition to the Montpelier Elementary School.

#### Environment

Approximately 15.8% of the FY 2011 Capital Budget or \$63.3 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*

- Environmental Protection Program (\$43,298,000) – Retrofit multiple facilities within various County watersheds with water quality control devices, and rehabilitate streams and wetlands to limit pollutant discharges.
- Environmental Revitalization (\$42,045,000) – 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 (\$37,897,000) – The closure costs associated with closing the Sandy Hill Sanitary Landfill, and the construction of facilities to maintain it after closure.
- Waste Transfer Station (\$33,775,000) – Design and construction of a solid waste transfer station to supplement and replace the Brown Station Road Sanitary Landfill.

#### Public Safety and County Facilities

Constructing public safety and other County facilities comprise the remainder of the FY 2011 Capital Budget. These two functions account for 14.2% of the FY 2011 Capital Budget, or \$59.3 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*

- Housing Unit Expansion (\$19,867,000) – Will add two housing units to Correctional Center.

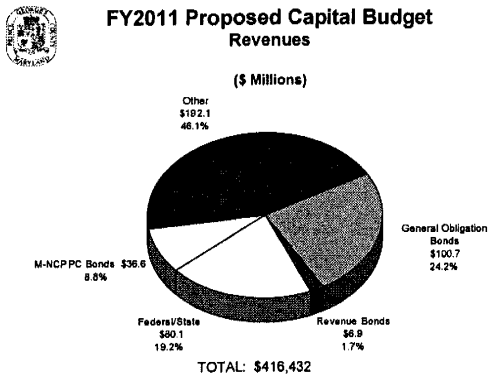
Bed space capacity will increase from 1,332 beds to 1,524 beds.

- Kitchen Facility Replacement (\$10,524,000) – A modern stand-alone kitchen will be built above ground to replace original kitchen located on the basement level.
- Public Safety 800 MHz. System (\$81,463,000) – Purchase a State-of-the-art radio system that achieves seamless internal and external communications.
- Public Safety Driver Training Facility (\$15,400,000) – A new driver training and test facility to serve the Police and Fire Departments.

*Other County Facilities*

- County Building Renovations (\$61,988,000) – Major renovations to County-occupied space, including renovations to the County Administration Building and the Central Communications Facility.

**Revenue**



The FY 2011 Capital Budget is supported by multiple revenue sources, including revenues generated in FY 2011 as well as revenues received from prior years. In all, 19.2% of the program is supported by locally-raised revenues. General obligation bonds comprise an important component, and are made up of \$100.7 million from the FY 2011 bond sale. Revenue bonds account for \$6.9 million or 1.7% of the total. Maryland-National Capital Park and Planning Commission bonds support 8.8% of the total at \$36.6 million. Federal and State aid provides \$80.1 million, or 19.2% of the FY 2011 Capital Budget. The remaining \$192.1 million or 46.1% is comprised of miscellaneous revenues and developer contributions.

(Dollars in Thousands)

AGENCY/PROGRAM	FY 2011 PROPOSED CAPITAL BUDGET	FY 2011-2016 PROPOSED CAPITAL PROGRAM
Board of Education	\$ 98,030	\$ 814,962
Stormwater Management	41,355	136,125
Parks and Recreation	101,669	249,834
Hospitals	-	-
Public Works & Transportation	59,541	289,890
Library	4,900	47,811
Health	-	8,250
Corrections	5,000	38,140
Police	1,100	29,241
Fire/EMS	800	28,715
Solid Waste Management	21,947	33,920
Community College	14,555	100,419
Central Services	52,400	91,956
Redevelopment Authority	9,300	38,436
Federal Programs	5,835	5,835
<b>TOTAL</b>	<b>\$ 416,432</b>	<b>\$ 1,913,534</b>

## 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, 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 6.3% as of June 30, 2009, which is well 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 .8% of the net direct debt to assessed value for FY 2009.

(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

- In FY 2011, one new elementary school will open. The total impact of this opening on the FY 2011 Operating Budget is approximately \$1.3 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 \$41.3 million can be expected to generate new annual operating expenses of approximately \$2.02 million in FY 2011. This added cost will be supported by the Stormwater Management Enterprise Fund.