

GUIDE TO THE BUDGET DOCUMENT

This is one of two documents presenting the County's approved budget for Fiscal Year 2009 (FY 2009). The Operating Budget (which is described below) underwrites the County's day-to-day operations. The six-year Capital Improvement Program (CIP) is the County's six-year spending plan for capital facilities—buildings, roads, parks, and the like—through FY 2014. Within the CIP is the Capital Budget, which consists of the first year's planned expenditures for the six-year program. The CIP and Capital Budget are described in a separate document, *The Approved Capital Budget and Program*. For a synopsis of the material presented in this document, the reader should refer to the Budget Overview section.

FUNDS INCLUDED IN THE OPERATING BUDGET

To budget and account for government receipts and expenditures, the County establishes various "funds" within the Operating and Capital budgets. Fund accounting is required by State and Federal regulations, County Charter, and the Generally Accepted Accounting Principles (GAAP). The Operating Budget uses five major types of funds: the General Fund, Internal Service Funds, Enterprise Funds, Special Revenue Funds, and Grant Program Funds.

The **General Fund** is the largest operating fund, accounting for approximately 84% of the Operating Budget. This fund supports the majority of County government services—police, fire, corrections, the courts, education, general government, college and library. Most of the public's tax dollars are part of the General Fund, including most user charges, license and permit fees, and certain dedicated and non-dedicated revenues from the State and Federal governments.

Internal Service Funds are used to finance, administer, and account for the provision of goods or services by one agency to another within *the County government*. Thus, the Fleet Management Internal Service Fund is used to account for fees charged to agencies by the Fleet Management Division of the Office of Central Services. Agencies are charged for the repair and maintenance of vehicles owned and operated by the County. The Information Technology Internal Service Fund is used to account for the operations of the County's data processing and computer services. Agencies pay user charges to the Information Technology Fund for office automation equipment, use of the County's Office Automation Network, system maintenance, and other services provided by the County's data processing contractor.

Enterprise Funds are used to account for certain public services that are self-supporting by generating their own

revenues from fees, charges, and other receipts. The Stormwater Management Enterprise Fund is used to account for and support the County's stormwater management functions (flood plain and storm drain maintenance, rehabilitation and repair of flood channels, permit issuance, etc.), which were transferred from the Washington Suburban Sanitary Commission (WSSC) in FY 1988. The fund is supported by a Stormwater Management ad valorem tax of 13.5 cents per \$100 of assessed value for personal property (3.0 cents per \$100 in some areas) and 5.4 cents per \$100 of assessed value for real property (1.2 cents per \$100 in some areas) plus revenues from permit fees and interest income.

The Solid Waste Enterprise Fund supports a wide variety of environmental, recycling, and solid waste collection and disposal services. These include the development, operation, and maintenance of the County's landfills; bulky trash collection, roadside cleanup, and abandoned vehicle control; refuse disposal activities; the County's recycling program; housing code enforcement; and various environmental planning, management, and capital construction activities. The fund is also used to account for and administer revenues and expenditures associated with the County's residential and commercial refuse collection. The Solid Waste Enterprise Fund is supported by revenues from several sources. This includes charges to property and business owners for recycling, bulky trash collection, certain capital and other non-operating expenses associated with solid waste disposal; tipping fees and related assessments charged for the use of the Brown Station Road Landfill; abandoned vehicle recoveries; recoveries from property owners under the Clean Lot Ordinance; and fees paid by property owners for commercial and residential refuse collection services.

Special Revenue Funds are used to account for special taxes or other dedicated revenues that the Maryland General Assembly or the County Council requires to be used for a specialized purpose and which must therefore be kept separate from other County monies. The Debt Service Special Revenue Fund provides for the payment of interest, principal, and service charges on the County's general obligation bonds and State participation loans. The Collington Center Special Revenue Fund is used to account for revenue generated from the sale of property within the Collington Center. The Collington Center is a County-owned business park of approximately 1,280 acres located on U.S. Route 301, and the finance costs incurred from managing the fund.

The Property Management Services Special Revenue Fund was established to account for receipts from the disposition of surplus real property by the County. Costs

associated with the disposition of such properties are also paid out of this fund. The Domestic Violence Special Revenue Fund is used to account for the proceeds of a marriage license surcharge collected to assist in financing battered spouse shelters and domestic violence programs. The fund also receives a contribution from the General Fund to support contracted shelter services.

The Drug Enforcement and Education Special Revenue Fund is designed to help finance the costs of drug enforcement and drug-related education activities within the County. Revenues are generated from the forfeiture and sale of property seized as a result of drug enforcement activities. Proceeds, net of those received as a result of Federal forfeiture actions, are deposited in the fund and divided between the Police Department (which receives 65%), the Health Department (20%), and the Office of the State's Attorney (15%) to help support narcotics enforcement and drug education efforts by these agencies. However, if the property is seized by the Office of the Sheriff, the Sheriff receives 65 percent of the proceeds. Federal forfeiture revenues are also deposited in the fund. The allocation of these funds is subject to Federal regulations.

Grant Program Funds are used to account for and administer the County's many State and Federal grants.

BUDGET STRUCTURE AND CONTENT

Structure of the Operating Budget

The major components of this document include summaries of anticipated revenues and appropriations; total funding and source of funds for each agency; position complements by department and by funding source; detailed explanations of departmental budgets; a description of each of the County's funds; and other supporting schedules and supplementary information such as agency mission statements and performance measures.

The expenditure section of the budget is divided into function groupings such as Public Safety or Criminal/Civil Justice, which consist of individual agencies, such as the Police Department or the Department of Corrections. These agencies are sub-classified by activities, such as Bureau of Patrol or Security Operations Division.

Budget Format

The County's Operating Budget is organized to contain all programs and services performed by an agency, including those funded by non-General Fund sources. Each agency budget begins with a *Mission Statement*. The mission statement summarizes the agency's purpose, outlines the services provided, and describes what the agency is trying to achieve. This is followed by an overview that discusses the agency's Core Services, Key Accomplishments from the prior fiscal year, and a summary of current fiscal year

funding and staffing changes. Following this section is the *Organization Chart* illustrating the core divisions and functional areas of the agency. Next, the *Performance Management* section provides streamlined strategic performance information intended to reflect the most important priorities of each agency. For FY 2009, this section generally begins with an enumerated *goal* or set of goals. Each goal describes how the agency will achieve a specific component of the agency's overall mission over the next several years. Under each goal, there are *objectives*, which describe the various ways that the agency intends to reach its desired result or outcome. For each related set of objectives, there is a supporting table of actual, estimated, and projected *measures* for the period of FY 2004 - FY 2009. The table also identifies the corresponding objective that is supported by the measure(s). These measures characterize past and anticipated results of budget allocations and decisions—i.e., levels and trends in the workload, the efficiency of operations, and the effectiveness and quality of the services produced. Data for these measures have been provided by the relevant agencies and are drawn, for the most part, from routine agency records.

As a result of the continuous improvement efforts for Charter for Change, some measurement tables may not display a complete set of the data for this year's edition of the budget document.

Next is a *Funds Summary* for agencies that receive funding from more than one fund — for example, the General Fund and the Federal and State aided programs Fund (Grants). A table shows the FY 2007 actual expenditures, budgeted and estimated spending for FY 2008, and total approved FY 2009 expenditures for the agency from each fund. These figures, as well as the percentage change from the current budget, are given for the agency as a whole and for each unit of the agency. Pie charts are included to illustrate the different funding sources.

The *Staff Summary* page shows the agency's positions by type of employee (full time, part time, limited term) and funding source. The approved FY 2009 staffing is compared to the previous year's level. Limited term staff are employed under renewable personal service contracts for periods not exceeding one year. They serve in operations where continued funding is not assured from year to year. Although limited term personnel are employed predominately in grant programs, a small number of these employees are funded in the General Fund, generally from non-County revenues. The staff summary also includes a chart titled Positions by Category. The categories are tailored to each agency. For example, the Library System's budget pages show how many branch manager positions are approved for FY 2009. The Police Department's staffing by category shows the total number of funded sworn police officer positions broken into categories such as investigators and patrol officers, front

line supervisors (sergeants and lieutenants), and police officials (captains and majors), and the various kinds of civilian positions (crossing guards, evidence technicians, etc.).

Charts summarizing *Five-Year Trends* for expenditures and staffing are provided next. The expenditure chart details actual spending from FY 2005 – FY 2007, budgeted funds for FY 2008, and the approved appropriation for FY 2009. The Full Time Staff table reflects the budgeted complement for all funds.

A summary of the *General Fund* allocation for the agency and its major divisions is presented next. The General Fund Summary identifies budgeted amounts for compensation, operating expenses, capital outlay, recoveries, and fringe benefits. Descriptions of major cost elements, recoveries, key changes, and other considerations affecting the agency's General Fund Budget also are provided in this section, along with a chart that highlights the major types of operating expenses included in the agency's FY 2009 Approved General Fund Budget. In addition, this section includes a chart showing fringe benefits costs as a percentage of compensation costs over a three-fiscal year period.

For agencies that are *subdivided* into major divisions or "activities," pages summarizing each activity are presented next. An activity page focuses on the expenditures and positions supported by a *single* fund (usually the General Fund). Each activity page includes a brief description of the responsibilities of the activity, plus a three-fiscal year summary of activity expenditures broken down by compensation, fringe benefits, operating expenses, capital outlay, and recoveries. Full time, part time, and limited term staffing levels for the current and budget years are also shown, and percentage changes comparing FY 2008 approved to FY 2009 approved expenditure and staffing levels are included.

If an agency is responsible for administering an *Internal Service, Enterprise, or Special Revenue Fund*, a fund description and expenditure details are provided in the Other Funds section, along with a discussion of major costs supported by the fund.

All agencies that administer grants include a *Grants Section* within the agency budget pages. The Expenditure Summary Chart displays compensation, fringe benefits, operating, capital outlay and recovery expenses for three fiscal years. In some cases the grant program year may not run parallel to the County fiscal year. The Staff Summary by Grant Program Chart displays the number of staff positions supported by grant funds comparing FY 2008 with FY 2009. The Grants by Division Summary Chart illustrates the spending amounts by budget year for each grant administered by the agency, including the dollar and percentage change. This chart will only show grant awards made directly to the agency. It does not reflect sub-grant

awards an agency may receive from another County agency. This allows the agency to accurately detail their program activities without overstating the grant revenue received by the County. Therefore, the associated grant total is captured within the lead agency grant appropriation and not in the grant appropriations of the subcontracting County agency.

BUDGETARY BASIS

The modified accrual basis of accounting is followed in the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust, and Agency Funds. Under this method of accounting, revenues are recognized in the accounting period in which they become available and measurable (i.e., the funds are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). Taxes, uses of money and property, charges for services, intergovernmental and miscellaneous revenue are recognized when earned, with the exception of interest and penalties on property tax payments which are recognized when cash is received. With respect to property tax revenue, the County defines "available" to mean collectible within sixty days after the fiscal year's end. Expenditures are recorded as liabilities when incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is followed in the Enterprise, Internal Service, and Pension Trust Funds. Under this method of accounting, revenue is recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

The account that serves the function of the owner's equity account in a profit-making organization is called the "fund balance" in government entities. An available balance in this account is the cumulative result of actual revenues exceeding expenditures. The fund balance for the General Fund can either be designated for future years (e.g. as a contingency reserve or for a subsequent year's expenditure) or it can remain undesignated. Audited or final fund balances are not known until about five months after the end of the fiscal year.

While the above definition of "fund balance" is used for the ending balances shown in the General Fund and Special Revenue Funds, somewhat different definitions are used in connection with Internal Service and Enterprise Funds. The ending balance for an Internal Service Fund corresponds to net assets. On the other hand, the ending balance shown for an Enterprise Fund corresponds to the sum of available cash, and cash equivalents. The ending balance takes into account net operating revenues and expenditures and increases based on bond proceeds, offset by capital expenditures and by funds that must be held in reserve for future obligations.

Unless otherwise noted, the Budgetary Basis is used in this document when referring to the fund balance for the General Fund. Although the Budgetary Basis is clear, convenient, and widely used, it differs somewhat from the fund balance computed according to Generally Accepted Accounting Principles (GAAP). The Budgetary Basis differs from GAAP by excluding encumbrances, inventories, and designated expenditures for non-General Fund purposes (e.g. certain equipment expenditures). In particular, the Budgetary Basis treats reserves for encumbrances that have not yet materialized by June 30 as expenses; GAAP shows them as a reservation of fund balance. Inventories are booked as an asset on the balance sheet and a reservation of fund balance under GAAP; they are reflected as an expense at the time of purchase under the Budgetary Basis. Under GAAP, certain purchase agreements for acquiring equipment are recorded as restricted assets. Related proceeds are shown as an Other Financing Source with a reservation for future years on the balance sheet. Under the Budgetary Basis, annual payments to retire leases are shown as an expense to the General Fund, and the proceeds are not counted as revenue.

SEMI-AUTONOMOUS AGENCIES

Those agencies whose operating budgets are approved directly by the County Executive and County Council are included in this document. There are several semi-autonomous agencies whose operating budgets are not included in the County budget document. Certain

semi-autonomous agencies also are not included in the County's Capital Improvement Program (CIP). The accompanying table lists the semi-autonomous agencies and indicates whose budgets are not included in the County's budget documents.

The Maryland-National Capital Park and Planning Commission (M-NCPPC), the Washington Suburban Sanitary Commission (WSSC), and the Washington Suburban Transit Commission - Washington Metropolitan Area Transit Authority (WSTC-WMATA) does not receive any of their funding from County General Fund revenues and prepare separate operating budget documents. Their operating budgets are not included in the County budget, nor are the WSSC's or WSTC-WMATA's capital budget included in the County CIP. However, the County Executive reviews and makes recommendations to the County Council on each of the budgets approved by these agencies. The Council must then approve these budgets (or the portions affecting Prince George's County).

The Board of Education, Library, and Community College are all financed at least in part from County General Fund revenues, and their operating and capital budgets are included in the County budgets. In addition, the Board of Education prepares a separate operating budget document that describes the Board's spending plan in detail.

	RECEIVES GENERAL FUND REVENUE	OPERATING BUDGET INCLUDED IN COUNTY	PREPARES SEPARATE BUDGET
WSTC-WMATA*	No	No	Yes
Board of Education	Yes	Yes	Yes
Community College	Yes	Yes	No
Library	Yes	Yes	No
M-NCPPC	No	No	Yes
WSSC*	No	No	Yes
Industrial Development Authority Redevelopment Authority	Yes	Yes	Yes
Housing Authority	No	Yes	Yes
Revenue Authority	No	Yes	Yes

*Also prepares separate capital budget document. All other agencies' capital projects are included in the County's CIP.

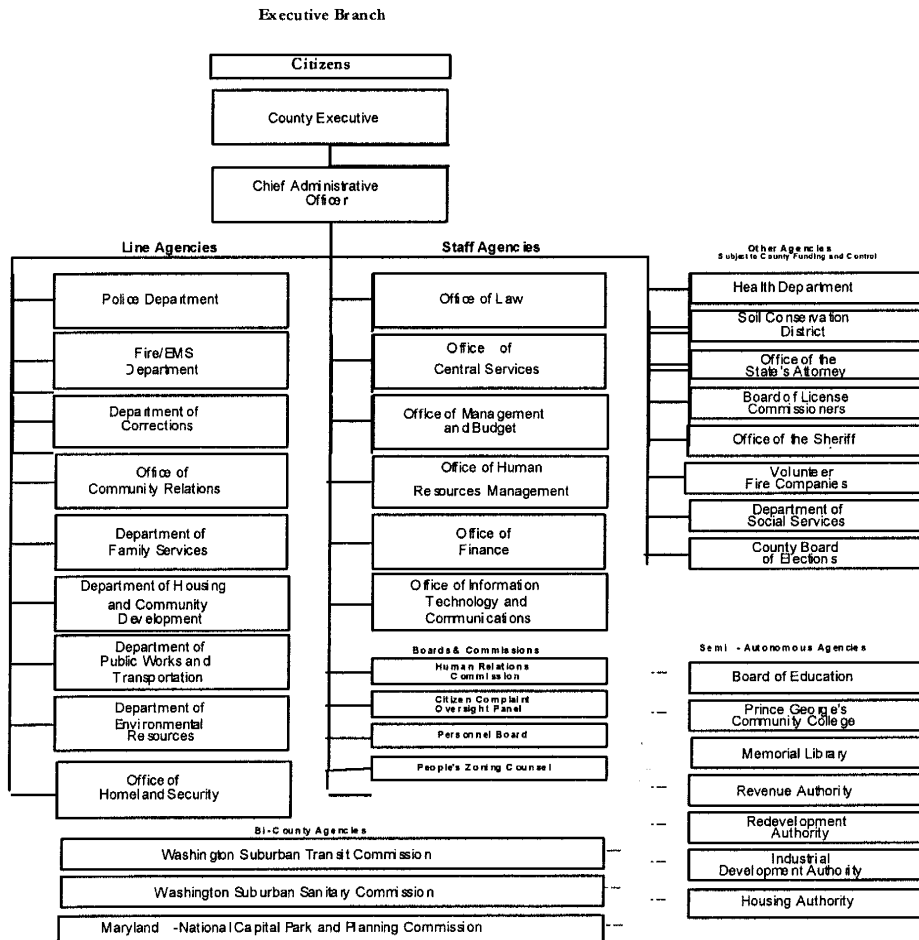
COUNTY GOVERNMENT ORGANIZATION

Prince George's County operates under a "home rule" Charter which was adopted in November 1970. Under the Charter, the County is composed of an executive and a legislative branch. The **Executive Branch** enforces the laws and administers the day-to-day business of the County. It consists of a County Executive (elected by the qualified voters of the entire County) and all other officers, agents, and employees under the County Executive's supervision and authority, including the Chief Administrative Officer who is responsible for the day-to-day administration of the County. The **Legislative Branch** of the County consists of a nine-member County Council (elected by Councilmanic District) and its staff. The Charter limits the County Executive and the members of the County Council to two consecutive four-year terms in office.

The **Judicial Branch** of government, as specified by the Constitution and laws of the State of Maryland at the local level, consists of the Circuit Court, the District Court, and the Orphans' Court (which oversees the probate of decedents' estates, as well as the appointment and supervision of guardians for minors). In Prince George's County, the County Executive and the County Council propose and approve the operating budgets of the Circuit and Orphans' courts. (However, the State provides funding for the Circuit Court judges, their law clerks, the Clerk of the Court, and certain other Circuit Court expenses). The District Court is a State entity funded entirely by the State of Maryland.

The chart below shows the organization of the County's executive branch. To avoid unduly complicating the organization chart, the Deputy Chief Administrative Officers (DCAOs) are not shown. The DCAOs report to the Chief Administrative Officer and are assigned functional responsibilities for groups of agencies.

PRINCE GEORGE'S COUNTY ORGANIZATIONAL CHART



THE BUDGET PROCESS

The development of the Operating Budget involves three distinct phases: formulation of budget requests, executive review and proposal, and County Council review and adoption. The development of the Capital Budget involves a slightly different process and timing. The procedures used in preparing both the operating and capital budgets are summarized below. In addition, the Capital Budget document contains a detailed description of the capital budgeting process.

Development of the Operating Budget

The Operating Budget is prepared over a ten-month period beginning in August and ending in May of the next calendar year. The sequence of events is as follows:

**I. Formulating Budget Requests:
August-December**

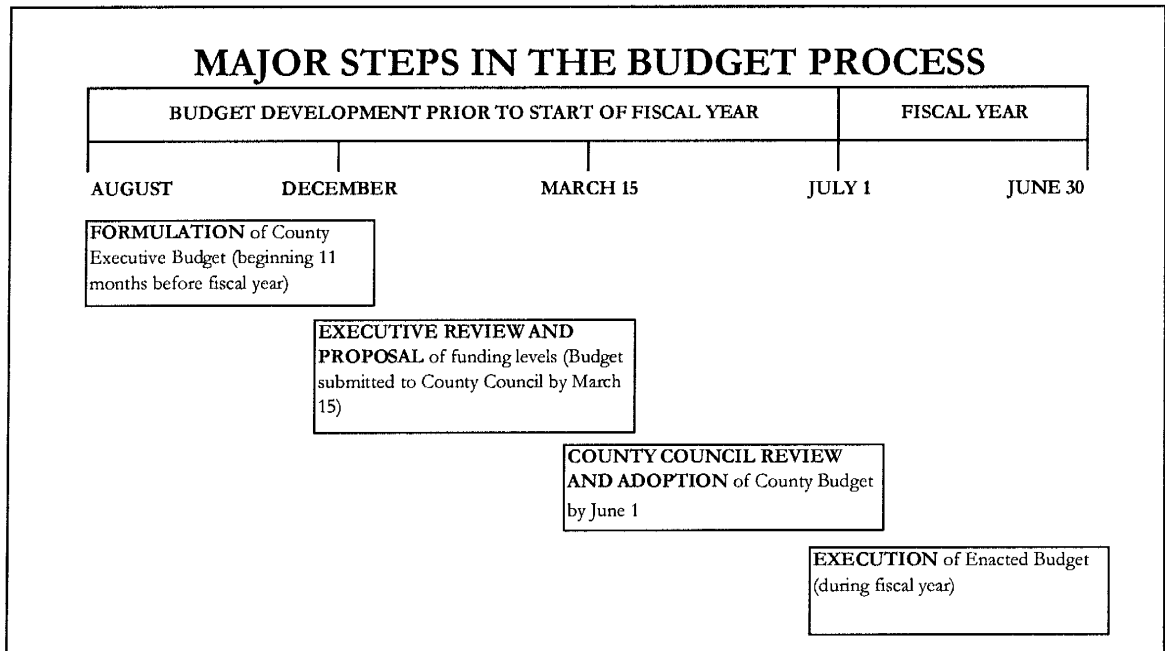
- In August of each year, the Director of the Office of Management and Budget briefs the County Executive and the Chief Administrative Officer on the financial outlook for the upcoming as well as successive fiscal years.
- At the beginning of October, the Spending Affordability Committee presents its preliminary revenue projections.
- Based on this and other information, the Office of Management and Budget presents the County Executive with a recommendation for a preliminary budget target. The County Executive

then determines the parameters for the entire County budget. The Office of Management and Budget uses this target to develop the budget instructions that are issued to agencies, usually in early October.

- In October and November, agency heads assess their departmental needs, prepare their operating budget request, and submit them to the Office of Management and Budget. The requests are usually due by the middle of November.

**II. Executive Review and Proposal:
December-March**

- The Spending Affordability Committee presents its final report at the end of December.
- Budget requests are reviewed by Office of Management and Budget staff during the months of December and January. Meetings are held between agencies and the Office of Management and Budget to review budget submissions.
- The County Executive holds at least one public hearing on the budget during the months of January/February.
- The County Executive meets with agency heads and Office of Management and Budget staff to determine specific funding levels to be contained in the Operating Budget.
- The County Executive submits a Proposed Operating Budget to the County Council no later than March 15.



III. County Council Review and Adoption: April-May

- The third stage of the budget cycle is the legislative review of the Proposed Operating Budget. During this time, the focus of the budget review is the County Council.
- The County Charter requires that the Council hold at least two public hearings on the Proposed Operating Budget.
- During April and May, the Council committees and staff review the Proposed Operating Budget with Office of Management and Budget staff and departmental representatives.
- The Council committees complete their agency reviews by mid-May and present their recommendations to the full Council. The Council must adopt the Annual Budget and Appropriations Ordinance before June 1. It subsequently submits the Ordinance to the County Executive for signature.
- The Approved Operating Budget takes effect on July 1, the beginning of the fiscal year.

Formulation of the approved operating budget involves a number of planning processes in addition to those described above. The financial plans presented to the New York bond rating agencies each year establish a number of guidelines important in shaping the coming year's budget. The Ten-Year Water and Sewer Plan (which guides development activity within the County and is updated annually) influences several aspects of the budget. Planning for the Capital Budget also affects decisions on the Operating Budget, as described later in this section.

County legislation approved in 1997 established a Spending Affordability Committee composed of five members. This Committee makes preliminary recommendations before October 1 of each year on spending affordability and ways to improve budgetary and financial procedures and policies. Final reports on these spending affordability guidelines are submitted on or before January 1 so that the recommendations can be incorporated in the budget development and review process.

Development of the Capital Budget and the Six-Year Capital Improvement Program

The development of the Capital Budget and the six-year Capital Improvement Program (CIP) is analogous to that of the Operating Budget. Three phases are included: formulation of capital budget requests, executive review and proposal, and Council review and adoption. Each of these is described below.

I. Formulating Capital Budget Requests: August - September

- In August of each year, the Director of the Office of Management and Budget issues policy guidance and instructions to agencies and departments based upon the County Executive's priorities and the County's financial ability to issue new debt.
- During the month of September, agency heads assess their department's capital needs, relying upon prior planning studies and documents, functional plans, the Public Land and Facilities Inventory, and the Public Facility Development Program prepared by the Maryland-National Capital Park and Planning Commission. Facility requests are programmed over the six-year capital program period, in keeping with departmental priorities and fiscal guidelines. Submissions are due to the Office of Management and Budget by October 1 of each year.

II. Executive Review and Proposal: October - March

- Capital budget program requests are reviewed by Office of Management and Budget staff between October and January. Discussions are held between agencies and the Office of Management and Budget to ensure conformance with fiscal guidelines, development studies, and the County Executive's commitments.
- The County Executive holds at least one public hearing on the capital and operating budgets during the months of January/February.
- The Office of Management and Budget presents recommendations to the Chief Administrative Officer and the County Executive regarding the composition of the Capital Budget and program, reformulating agency submissions when necessary to conform to financial guidelines regarding debt issuance.
- The County Executive submits the Proposed Capital Budget and Six-Year Capital Improvement Program to the Council no later than March 15.

III. County Council Review and Adoption: April - May

- During April and May, County Council staff review the Proposed Capital Budget and Program with staff from the Office of Management and Budget and departmental representatives.
- The County Council is required to hold two public hearings on the Proposed Operating Budget and the Proposed Capital Budget.

- The Council, sitting as the Committee of the Whole, completes its review of the Capital Budget and Program by mid-May. The Council must adopt the Annual Budget and Appropriations Ordinance before June 1. Subsequently, it submits the Ordinance to the County Executive for signature.
- The Approved Capital Budget takes effect on July 1, the first day of the new fiscal year.

Budget Amendment Process

An agency may transfer its own funds internally from one character (spending category) to another with the approval of the County Executive. There is a \$250,000 threshold for County Council approval on such agency transfers. Budget amounts cannot be transferred from one agency to another except by County Council Legislative Act (generally a Resolution) upon the recommendation of the County Executive.

Grant funds, which were not included in the Approved Budget, can be added to agency budgets by County Council Resolution. Any other supplementary appropriations that are needed require the recommendation of the County Executive and the adoption of a Council Bill, which requires the Council to hold a public hearing on the proposal. Amendments to the total appropriation of the Capital Budget beyond the approved amount may be made by a two-thirds affirmative vote on a Council Bill.

The Council can adjust revenue estimates by an increase or decrease of no more than 1%.

RELATIONSHIP BETWEEN THE CAPITAL AND OPERATING BUDGETS

The Capital and Operating Budgets affect each other in a number of ways. The amount of debt that can be supported by the Operating Budget helps determine the value of the bonds that can be sold in any given fiscal year. Operating Budget resources as governed by the County's revenue and by its budget stability and debt management policies, determines the level and composition of the County's Capital Budget. The County's debt policy contains guidelines to help the County stay within a sound fiscal framework despite year-to-year variations in the amount of resources available for debt service.

Capital Budget decisions affect the Operating Budget in several ways. First and foremost is the amount of Operating Budget revenue that must be used to provide for debt service payments on any general obligation bonds sold to fund capital projects. A key element of the County's debt management policy is to restrict General Fund debt service to 8% or less of the County's total General Fund Operating Budget to ensure that debt service payments will not overburden operating resources.

The County will continue to be well within these guidelines in the coming fiscal year.

A second potential impact of the Capital Budget on the Operating Budget is the possible appropriation of General Fund revenues for transfer to the Capital Fund. Although the great majority of capital projects are funded through the sale of general obligation bonds, the County can fund a capital project from General Fund operating revenues, generally using the County's fund balance.

The third impact the Capital Budget has on the Operating Budget is the operating and maintenance costs associated with completed facilities. The greatest operating impacts occur with a new facility, such as the opening of a new branch library. In such instances, costs relating to new professional staff, new maintenance and support staff, and additional operating and utility expenses must all be included in the Operating Budget.

Other types of capital projects may have a relatively small impact on the Operating Budget. Renovations rarely increase operating costs much, if at all. Road, storm drainage, and other infrastructure projects do not normally result in the need for additional costs. However, when such projects reach a critical mass, additional maintenance staff is needed, and at some point in the future, resurfacing and other expensive maintenance activities will be required.

Capital expenditures can also have positive impacts on the Operating Budget. For instance, infrastructure maintenance funded through the Capital Budget can result in substantial Operating Budget savings. An example is the resurfacing of roads using Capital Budget funds, usually reduces the need for temporary repairs of potholes and other maintenance funded from the Operating Budget. Likewise, the renovation of an old facility will usually result in lower maintenance or operating costs for that facility.