STRATEGIC AND FISCAL POLICIES

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The County utilizes two methods to ensure sound organizational and financial management: (1) performance management – *Charter for Change* - and (2) financial policies. *Charter for Change* provides a basis for the spending priorities, while fiscal policies ensure sound financial management and practices. These policies are the foundation of both short-term and long-term planning decisions. The sections below summarize these policies.

PERFORMANCE MANAGEMENT - *CHARTER FOR CHANGE*

The Office of Management and Budget (OMB) has led the countywide performance management system entitled *Charter for Change* since the fall of 2006. This system institutionalizes an integrated, comprehensive and sustainable performance based management system; which ensures that resources are utilized efficiently and effectively. Each year, the Administration reviews and improves *Charter for Change* which increasingly serves as the basis for County budgeting and decision making.

The County's performance management system is continuously being improved. As a result, many agencies are still developing or revising their goals, objectives, performance measures and performance measurement explanations. The County is continuing to seek improvement in this area.

The system includes:

- *Livable Communities Initiatives (LCI)* - the countywide vision establishing the County's strategic direction.
- Agency plans and performance measures – define how the agency will accomplish the countywide vision and indicate services' workload, quality and impact.
- Performance based budgeting - an effort to utilize the countywide vision, agency plans and performance measures to allocate resources to facilitate efficient and effective service delivery.
- Charter for Change Ratings – assessment of agency strategic statements, performance measures and use of performance based budgeting.
- *Executive Management and Assessment Program (EMAP)* – regular agency performance review meetings.

Livable Communities Initiatives (LCI) – Countywide Vision

Livable Communities is the countywide vision that facilitates prioritization of agency service delivery in order to focus resources to support and assist the residents and businesses of Prince George's County.

LCI means a community that is culturally and geographically diverse, proudly progressive, united for educational excellence, committed to vibrant economic development and dedicated to the preservation of natural and historic resources.

In order to transform the vision into a reality, the County will focus resources on seven major priority areas:

1. Education
2. Public Safety
3. Health and Human Services
4. Transportation
5. Environment
6. Housing and Community Development
7. Economic Development

There are four essential components to the plan:

1. Esthetically Pleasing - Work to ensure that the County is free of litter and other debris and that it is truly an attractive place to live, work or visit.
2. Safety - To make certain that there are safe streets and communities to enhance the quality of life for the residents of Prince George's County.
3. Educational Excellence - To create a learning environment that guarantees every child in Prince George's County has the opportunity to grow and prosper as a student.
4. Economic Vibrancy - Provide an atmosphere within the County that will encourage businesses to invest in the community.

Agency Plans and Performance Measures

Agency plans and performance measures define and indicate the agency's plan and accomplishments in reaching the countywide vision *LCI*. Agency plans (mission, goals and objectives) detail the agency's strategic plan, specifying the desired outcomes to accomplish the countywide vision. These statements answer:

- How is the agency relevant to *LCI*?

- Based on customer needs, which operations and services are essential?
- What is the agency's impact on citizens and residents?

Performance measures illustrate the workload the agency experiences (input and output measures), the level of service delivery efficiency, the quality of services delivered and the measurable impact of the services provided to citizens (outcome measures). All of these measures answer the question:

- How will we know we have done it well?

Performance Based Budgeting

During the budget process, agency plans and performance measures are examined to facilitate resource allocation decisions. To accomplish this, the mechanisms utilized include strategy statements indicating specific approaches to accomplish the objective; projecting performance levels given varying funding scenarios and justifying funding levels using strategic statements and performance measures.

Performance measures are among many elements used by OMB to determine this fiscal year's funding levels. The enhanced efforts of linking performance management and budgeting represent a new step for FY 2009. This component answers the question:

- What resources will we need to accomplish the impact we want to make?

Charter for Change Ratings

An important component of *Charter for Change* is the assessment and grading of individual agency plans, performance measures and performance based budgeting submissions. These assessments provide immediate feedback to agencies regarding the format, relevancy and improvements to their agency plans, performance measures and linkages to the budget. These assessments also serve as a tool to identify where future improvements are needed in the performance management system.

Executive Management and Assessment Program (EMAP) – Agency Performance Review Meetings

EMAP is a regular meeting between the County Executive's Office, OMB and individual agencies to review agency services, workload, efficiency and effectiveness. The result of the meeting is to facilitate service delivery improvements through various methods including collaborative relationships, "out of the box" strategic discussions and quantitative assessment.

***Livable Communities Initiative* Programs and Services – Alignment with Resource Allocation**

Below is the FY 2009 resource budget allocations prioritized and identified by the seven elements of the countywide vision *LCI*.

1. Education

Education is the County's highest priority. It plays a critical role in determining the quality of life for our citizens. A livable community does not exist unless there is a first-class school system to educate our children. The FY 2009 approved budget includes $1.68 billion in funding for the Board of Education, an increase of $23.7 million over the FY 2008 approved budget. County funding totals $614.5 million in FY 2009, which is approximately $17.3 million more than required by State law. State aid increases by about $15.4 million, mainly due to the Geographic Cost of Education Index funding. Funding for the Board constitutes close to 62.8% of all General Fund spending in FY 2009. This increase will allow the Board to maintain the current class sizes, reward teachers and administrators and continue the expansion of programs that have yielded improvements in student performance.

The County will also make significant investments in a number of school construction projects in FY 2008. Funds are provided in the capital budget for the Laurel High School Auditorium and Classroom Addition, the new Planning Subregion VI Elementary School, and the new Laurel-Beltsville Elementary School. The County continues to commit funds to rebuild aging infrastructure since most County schools were constructed before 1970.

2. Public Safety

The FY 2009 approved budget continues to strengthen our public safety agencies – Police, Fire/EMS, Corrections, Sheriff, Homeland Security, and Volunteer Fire. It reflects funding for recruitment classes and new positions in Police, Fire, Office of Homeland Security, Sheriff, and Corrections.

In FY 2009, the Police Department will receive $256.6 million, an increase of $12.5 million. During the upcoming fiscal year, the recruitment schedule continues the long-term goal of increasing our police force. The Police Department plans to recruit 210 new officers in three classes in FY 2009, which is expected to result in a net increase in the approved sworn complement to 1,786 by the end of FY 2009 after normal attrition.

In order to assist with the delivery of fire and emergency medical system services to County residents, the Fire Department will receive an increase of $2.7 million. This additional funding increases the approved FY 2009 budget for this agency to approximately $112.1 million. The sworn staffing level increases by 16 positions, from 750 in FY 2008 to 766 in FY 2009. Additionally, $14 million has been dedicated to volunteer fire companies that partner with the County's professional department in providing fire protection services to our citizens.

The Office of Homeland Security also serves as an essential component to the continual improvement of safety provided for our residents. The FY 2009 approved budget reflects $19.9 million to advance our 911 center operations and our capacity to act in response to disasters and acts of terrorism. The budget contains funds for the expansion of the 911 staff by allocating 10 new positions.

In an effort to strengthen the Alternatives-to-Incarceration programs, the Department of Corrections' budget includes funding for two new civilian positions and one training class that will produce 14 additional correctional officers. Subsequently, the department's sworn complement will increase from 479 in FY 2008 to 493 in FY 2009. In order to sustain the demands of the Domestic Violence Intervention Initiative, the Office of the Sheriff's sworn complement will increase from 237 in FY 2008 to 247 in FY 2009. These additional resources will reduce the number of domestic violence calls for police officers enabling officers to be available to respond to other police-related calls.

3. Health and Human Services

Renewed efforts to enhance the quality of life for our citizens are funded in the FY 2009 budget for health and human services. Our commitment to the hospital system of $12.0 million is included in the FY 2009 approved budget. Joint efforts on behalf of the State of Maryland and the County will ensure financial stability into the future.

The FY 2009 approved budget aims at providing services to the following target populations within our County: the elderly, the disabled, at-risk youth, and families in need. As a result, the FY 2009 approved budget includes $36.0 million in funding to continue our efforts to provide services for them. This allocation of funding is a $0.4 million increase over FY 2008. Funding is continued to support the County's newly opened Women's Resource Center under the auspices of the Department of Family Services, the Family Emergency Shelter for homeless families, and outreach and counseling services to at-risk youth.

4. Transportation

The Department of Public Works and Transportation (DPW&T) will continue to fund ***The Bus***, para-transit and other mass transit services to meet the needs of the citizens for flexible, reliable transportation service. The Department will continue implementing the Transit Technology Implementation Plan, which includes customer scheduling systems for the Call-A-Bus Program and the installation of an Automatic Vehicle Locator (AVL) system on a segment of vehicles and CCTV cameras on all ***The Bus*** vehicles.

5. Environment

The Department of Environmental Resources (DER) will continue its improvement efforts in code enforcement and construction inspection. Additional funding will be provided in the Enterprise Funds for landfill heavy equipment replacement and the creation of four new positions.

6. Housing and Community Development

Another important component of the Livable Communities Initiative is housing and community development in which the goal is to promote and increase the supply of quality and affordable housing by creating safe, well-planned and attractive communities.

In FY 2009, the department will continue its efforts to revitalize the County's inner beltway communities. Some of the major continuing development projects include the Gateway Arts and Entertainment District, Bladensburg Town Center, Palmer Park Senior Village, International Corridor in Langley Park and the facilitation of transit oriented development projects around the Addison Road Metro station. In FY 2007, the Administration fulfilled its commitment to County residents and completed the acquisition and relocation phases of the Suitland Manor project. The County anticipates completing the redevelopment and revitalization of this site in FY 2009. Moreover, funds are budgeted for the Prince George's African American Museum and Cultural Center at North Brentwood. The culmination of strong partnerships between public, private and non-profit organizations and continued funding through Federal, State and local agencies continues the progress towards the County's revitalization.

7. Economic Development

Economic Development is a vital component of the Livable Communities' commitment to ensure a high quality of life and the long-term viability of Prince George's County. In FY 2009, the County continues to invest significant resources in three economic development-related agencies that work to attract, retain and expand businesses, revitalize our established communities, promote the County's tourism activities and provide financial assistance to businesses. The Economic Development Corporation (EDC) will receive $3.0 million to continue their marketing and public relations efforts, small business initiatives, job training, youth employment, and travel program to leverage County resources and promote the County abroad.

The Financial Services Corporation (FSC) will receive $680,000 in the FY 2009 approved budget. FSC will continue reaching out to small and minority-owned businesses to assist with providing alternatives to traditional lending by accessing all available and appropriate federal, state and local financing programs. The Prince George's County Conference and Visitors Bureau is receiving $1,000,000 to help promote tourism in Prince George's County.

During FY 2009, phase one of the National Harbor project is expected to commemorate its one year anniversary. Phase one of the project includes a 700 foot long pier and marina, five hotels, 120,000 square feet of class "A" office space, 450 residential units, a resort and convention center, and an assortment of retail, dining and entertainment venues. This $2 billion mixed use development project is the largest convention center and hotel complex on the eastern seaboard and the largest development in the history of Prince George's County.

FISCAL & FINANCIAL POLICIES

A number of County policies provide the guidance for planning and developing the budget in any given year. These fiscal policies are developed to ensure that resources are allocated efficiently to help achieve the mission and goals of the government while maintaining the long-term financial stability of the organization.

Keep the County in a Strong Financial Condition. The County will continue to maintain sound cash and financial management. A balanced budget means the total money the government receives in one year, including other financing sources such as transfers in and use of fund balances, is equal to the amount it spends on goods, services, and debt payment that year. The County follows a variety of policies to maintain a healthy balance sheet and to maximize cash management strategies.

Maintain a General Fund Contingency Reserve. A Charter amendment adopted by the voters in November 2002 requires that the County maintain a contingency reserve for the General Fund to be used as a possible source of funding in the event the County Council enacts emergency appropriations in response to unforeseen events. The reserve requirement is 5% of the General Fund budget. The County expects to maintain the required balance in the contingency reserve of $131.3 million in FY 2008 and $133.7 million in FY 2009.

Maintain a General Fund Operating Reserve. To ensure a reasonable degree of stability in its programs over the long run, the County must have the budgetary flexibility to deal with events that can create instability such as economic fluctuations, State and Federal policy changes and varying service needs. The County policy is to retain an operating reserve equal to at least 2% of the General Fund budget in addition to the Contingency Reserve. This reserve is a continuing and non-lapsing source of unappropriated funds that can be used to offset the impact of budget emergencies or as a funding source for expenditures that the County Executive and County Council determine would benefit the citizens of Prince George's County. The FY 2009 operating reserve is projected to be $53.5 million.

Gain Additional Financial Leverage – Undesignated Fund Balance
In addition to the contingency and operating reserves, the County has built a significant

undesignated fund balance ($103.9 million at the end of FY 2007) due to revenue surpluses from the housing market boom in the past years. In FY 2008 and FY 2009, in order to mitigate the impact of the declining housing market and the accompanied slowdown of revenue growth, the County is planning to prudently use some undesignated fund balance to provide pay-go funding for capital projects and address fiscal challenges. At the same time, the County is developing long-term plans to gradually restore the fund balance after this fiscally challenging period.

Maintain Fund Balance Reserves in Other Funds. A number of important government functions are financed through funds other than the County's General Fund, most notably the County's enterprise funds, internal service funds and special revenue funds. (These fund types are described more fully in the budget guide section of this document.) Although these funds are designed to be self-sustaining, they must contend with certain special factors that threaten their financial stability: they are much smaller than the General Fund; they support specific, limited services; and they tend to rely on a narrower and less diverse set of revenue sources. The Stormwater Management Enterprise Fund, for instance, receives the bulk of its monies from an ad valorem property tax, making this fund vulnerable to potential fluctuations in that single revenue source. To minimize fiscal volatility in these funds, County policy calls for maintaining adequate reserve levels in each fund group. The County will also strive to maintain a positive fund balance in all special revenue funds.

Maintain Sound Debt Management. The County is committed to keeping its debt level low despite rising needs for capital projects. Prince George's County debt level remains well below its self-imposed and statutory limits. Article 25A of the Annotated Code of Maryland states that the aggregate amount of indebtedness outstanding at the time of issuance shall not exceed 6% of the County's assessable base of real property plus 15% of the County's assessable base of personal property. In recent years, the County has successfully kept its net direct debt to assessable value ratio well below 2%. It was 1.2% in FY 2007 based on full market value. County policy also requires that the ratio of debt service to General Fund expenditures not exceed 8%. For the past six years, the ratio has stayed below 4.0%, and it was 3.2% in FY 2007. The anticipated bond sales in FY 2009 will be conducted in accordance with the County's debt policies. The County also follows a strategy of retiring debt rapidly. As of June 30, 2008, the County had 72.3% of its net tax-supported debt scheduled to be retired in the next ten years. In addition, the County has been utilizing alternative resources other than general obligation bond revenue to fund capital projects. It plans to continue to include pay-go capital in its future CIP programs.

Use Conservative Assumptions in Forecasting Revenue Growth. The fiscal integrity of a government is heavily dependent on the extent to which actual revenues meet or exceed budgeted amounts. It is, therefore, essential that conservative assumptions be used in forecasting revenues. During economic downturns, conservative revenue forecasts are particularly important because the slowdown in one sector of the economy can extend to other sectors, and in those circumstances, the County could experience a broader decline in revenues.

Rely on Continuing Revenue Sources. Over the long run, a local government's fiscal health is greatly dependent on its ability to pay for current expenses with current revenues. Recurring expenditures should be funded from a stable stream of income, such as taxes, service charges and intergovernmental revenues, with little or no reliance on one-time sources. Non-recurring monies will be allocated primarily to non-recurring expenditure items.

Maintain Periodic Financial Reporting and Monitoring. Financial reports in different formats are generated and systematically reviewed each month. Revenue collections and agency spending are monitored and projections are updated on a regular basis. The County also closely monitors and analyzes changes in the national and local economies and in Federal, State and local laws in order to take preventative measures in a timely manner against negative impacts. Projections and analytical reports are prepared periodically to facilitate management decisions. Particularly during challenging economic conditions and amid fiscal constraints, such periodic reporting and monitoring mechanisms are extremely important for maintaining the fiscal health of the County.

Budget for Long-Term Liabilities. Responsible financial management means looking beyond the next fiscal year to potential liabilities that can impact the County in the out-years. Capital spending (and the operating impacts of capital projects), leave payouts, pension plans, risk management and environmental mandates are just a few of the long-term costs that need to be addressed. It is essential to plan for such potential liabilities early and allocate resources accordingly to ensure that County policies and/or decisions do not lead to unexpected financial burdens.

The County adopts a six-year capital improvement plan each year. In addition, the County develops six-year revenue and expenditure projections. Furthermore, based on the multi-year capital (CIP) and operating plans, the County uses comprehensive debt models to determine its annual debt levels and project long-term debt affordability. In addition, the County is proactively making plans to increase its contribution to retiree benefits in order to meet the Governmental Accounting Standards Board (GASB) requirement of funding Other Post Employment Benefits (OPEB) liabilities.

Continue Risk Management Funding. Risk management costs have been increasing in recent years. The County's risk management strategy includes maintaining funding at levels that will provide adequate coverage in the Risk Management Fund. In FY 2009, the County continues its commitment to reduce the Risk Management Fund deficit by increasing funding for workers' compensation. In addition, general fund insurance will receive a $7.5 million contribution. The County's Risk Management Oversight Committee will continue working to review claims experience and provide policy guidance in an effort to control costs.

Monitor Fringe Benefit Costs. County fringe benefit costs have been increasing, especially in the categories of retirement, pension and health insurance. As part of the effort to curtail health insurance costs, starting from calendar year 2008, the County has implemented mandatory prescription drug mail order and adjusted employee co-payments for generic prescription drugs. Prudent fiscal management requires awareness of the forces effecting changes in the pension funds so that current and future liabilities can be met. FY 2009 will mark the second year of the County's ten-year phase-in plan to fund Other Post-Employment Benefits (OPEB) as promulgated by the Governmental Accounting Standards Board (GASB). The County will strive to maintain a balance between providing quality healthcare benefits while also considering measures to control costs and limit future cost escalation.