

STRATEGIC AND FISCAL POLICIES

The County utilizes two methods to ensure sound management of county resources: (1) performance management – Charter for Change – and (2) financial policies. These two policies are the foundation of the County's short, middle and long-term planning decisions.

PERFORMANCE MANAGEMENT - CHARTER FOR CHANGE

Charter for Change is a tool to facilitate improvements in the efficiency and effectiveness of the services the County delivers. To accomplish this, annually Charter for Change requires the County to plan, measure and evaluate the County's services. Managers utilize this information to guide their decisions regarding the allocation of resource and service delivery operations to best accomplish the established plan.

HOW IS CHARTER FOR CHANGE USED FOR THE BUDGET?

The County's budget is a plan to allocate and spend funds. The allocation of funding adds, maintains and/or removes funding from specific services and operations that ultimately have an impact on citizens and residents. Therefore, the allocation of funds directly reflects what services and benefits from those services the citizens and residents will receive.

To guide the allocation of funds, Charter for Change provides performance information to assist decision makers, from three sources:

- **The County's Plan** – defines what the County intends to provide to and accomplish for their customers.
- **Performance Measures** – provides data on how well the plan is being accomplished.
- **Performance Based Budgeting** – recommends approaches (programmatic and fiscal) to accomplish the County's plan by reviewing and evaluating the performance measures.

THE COUNTY'S PLAN

To establish the direction of county services, the County has a countywide vision and individual agency plans. The countywide vision serves as the common direction that all agencies are striving to accomplish. Each agency has an agency plan that

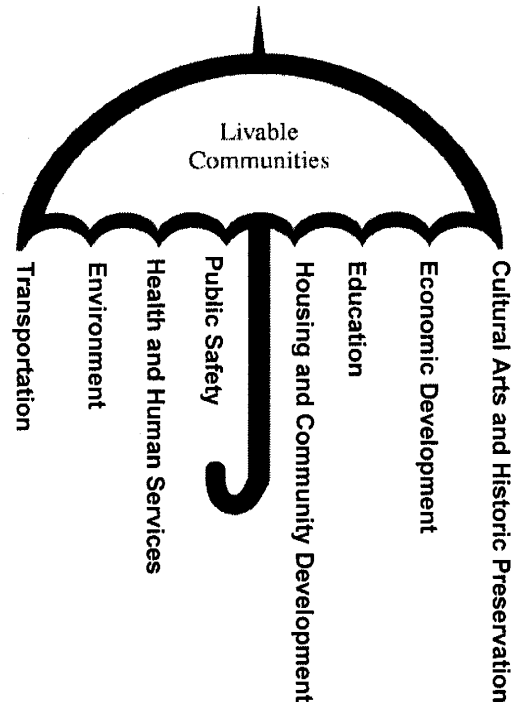
defines their purpose and alignment with the countywide vision.

Countywide Vision

The vision was established by the County Executive and is entitled the Livable Communities Initiative. The vision is:

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. Resources will be focused on eight major areas under the LCI umbrella illustrated below.

THE COUNTYWIDE VISION



Essential Components to Accomplish the Livable Communities Initiative (LCI)

To accomplish the countywide vision, county agencies are working in eight important elements, which are listed below.

- **Working for safe communities:** To make certain all lives and property within the County are protected to ensure all are safe, secure and productive to enhance the quality of life for the citizens and residents of the County.

- **Working for educational excellence:** To create an exceptional learning environment which provides an opportunity for every child in the County to grow and prosper.
- **Working for a clean environment:** To provide a livable and esthetically pleasing environment for all those who come into the County; free of litter, debris and health hazards.
- **Working for economic vibrancy:** To provide an atmosphere that encourages business to grow and prosper in the County.
- **Working for healthy citizens and residents:** To promote and protect the health and wellbeing of all county citizens and residents to ensure they have a healthy and long life.
- **Working to support families and individuals in need:** To provide assistance to all those in need to offer all an opportunity for a high quality of life.
- **Working for sound county management:** To provide accountable and responsible

management of county resources ensuring cost effective services are provided to citizens and residents.

- **Working for cultural arts and historic preservation:** To present cultural arts and protect historical sites to the public in order to provide all an opportunity to experience and learn about all cultures and our history.

Agency Plans

Agency plans define: (1) how the department aligns with and will work on accomplishing the countywide vision and (2) identifies the agency's intended impact on their customers. To define this information each agency has four statements - mission, goal, objective and strategy statements. Each statement is described in the table below.

PERFORMANCE MEASURES

Performance measures are provided for each objective to illustrate a quantitative picture of the services delivered to customers. This information is important to account and evaluate the current status and possible improvements to accomplish the countywide and agency plans.

**AGENCY PLANS AND PERFORMANCE MEASURES
WHAT EACH ELEMENT SAYS ABOUT THE AGENCY**

Element	What does it tell me about the agency?	Example
MISSION	<ul style="list-style-type: none"> • Purpose • Alignment with the countywide vision • Core services to be provided • Customers served • Intended impact on the customers 	The Police Department provides patrol, emergency police response and investigative services to county citizens, residents and visitors in order to protect lives and property.
GOAL	<ul style="list-style-type: none"> • Intended impact by a core service on the customers 	To provide uniform patrol services to the County's citizens, residents and visitors in order to mitigate crime.
OBJECTIVE	<ul style="list-style-type: none"> • How the intended impact of a core service will be measured and improved 	Reduce the number of violent crime incidents from 4.4 per 1,000 residents in calendar year 2008. <ul style="list-style-type: none"> • By CY 2010 – 6.7 • By CY 2013 – 6.5 • By CY 2016 – 6.3
PERFORMANCE MEASURES	<ul style="list-style-type: none"> • How well the objective is being accomplished • Service delivery performance including resources used, workload, demand, efficiency, quality and impact 	<ul style="list-style-type: none"> • Number of officers • Number of calls for service • Average number of calls for service per officer • Average response time to calls • Number of violent crimes per 1,000 residents
STRATEGY	<ul style="list-style-type: none"> • How to accomplish the objective 	<ul style="list-style-type: none"> • Partner with law enforcement agencies • Hold regular meetings with all stakeholder to review and improve performance • Concentrate police resources on violent offenders

Performance measures indicate each objective's resources, tasks, services, production, efficiency, quality and impact. Five categories of performance measures provide this information: input (resources), output (demand and production), efficiency (how well resources are utilized given the output), quality (accuracy, timeliness and customer service) and outcome measures (impact of service delivery) for each objective.

PERFORMANCE BASED BUDGETING

Agency plans and performance measures provide an excellent quantitative picture of the services the County delivers to our customers. Performance based budgeting uses this information to justify and evaluate the allocation of resources. The resources allocation decisions determine what services are provided, at what level and with what functionality which result in a product and outcome for the customer. Therefore, the allocation of resources will also facilitate the agency's ability to meet their plan and the countywide plan.

Thus, decision makers must be informed and understand how to accomplish the County's and agency's plan. This is accomplished by evaluating the agency's ability to accomplish their mission, goal and objectives by reviewing performance measure data. The result of which will allow decision makers to allocate resources to continue, revise or conclude programs and strategies (and their related costs).

FY 2010 BUDGET ALLOCATION BY COUNTYWIDE VISION AREA

Below is the FY 2010 resource budget allocations prioritized and identified by the eight 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 2010 approved budget includes \$1.6 billion in funding for the Board of Education, a decrease of 2.7% from the FY 2009 approved budget. County funding totals \$609.5 million in FY 2010. State aid to the Board is \$909.5 million. Funding for the Board constitutes about 63% of all General Fund spending in FY 2010.

The County will also make significant investments in a number of school construction projects in FY

2010. 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 renovation of Greenbelt Middle School.

2. Public Safety

The FY 2010 approved budget continues to support our public safety agencies even in the midst of the current fiscal situation – Police, Fire/EMS, Corrections, Sheriff, Homeland Security and Volunteer Fire.

In FY 2010, the Police Department will receive \$253.3 million, a decrease of 1% from FY 2009. During the upcoming fiscal year, the recruitment schedule continues the long-term goal of increasing our police force. The Police Department plans to recruit over 100 new officers in three class in FY 2010, which will help to fill anticipated officer turnover.

In order to assist with the delivery of fire and emergency medical system services to county residents, the Fire/EMS Department will receive \$112.1 million, the same as FY 2009. These funds will support the core services the agency provides citizens and residents. Additionally, \$12.2 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 2010 approved budget reflects \$18.7 million to advance our 911 center operations and our capacity to act in response to disasters and acts of terrorism. The Office continues to implement a interoperable radio system, emergency communication system with the Washington, DC area and warning systems for citizens and residents in case of an emergency.

The Department of Correction's budget for FY 2010 supports the agency's continued commitment to safely house those in their care. Their budget for FY 2010 is \$66.8 million, a reduction of 4% from FY 2009.

The Office of the Sheriff in FY 2010 receives \$32.5 million in order to sustain the demands of the Domestic Violence Intervention Initiative – to respond to 911 calls for domestic violence.

3. Health and Human Services

Continued efforts to enhance the quality of life for our citizens are funded in the FY 2010 budget for health and human services. Our commitment to the hospital system of \$12.0 million is included in the FY 2010 approved budget. Joint efforts on behalf of the State of Maryland and the County will ensure financial stability into the future.

The FY 2010 budget aims at providing services to the following target populations within our County: the elderly, the disabled, at-risk youth and families in need. 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 will continue to fund *The Bus*, paratransit 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 close circuit cameras on all *The Bus* vehicles.

5. Environment

The Department of Environmental Resources will continue its improvement efforts in code enforcement and construction inspection.

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 2010, the department will continue its efforts to revitalize the County's inner beltway established communities. Some of the major continuing development projects include the Gateway Arts and Entertainment District, Bladensburg Town Center, Palmer Park Senior Village 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 to complete the acquisition and relocation phases of the Suitland Manor project. Efforts to complete

the redevelopment and revitalization are ongoing. The International Corridor in Langley Park was completed and memorialized with a grand opening in October 2008.

Resulting from the economic downturn, the County received a \$10.8 million appropriation from the US Department of Housing and Urban Development under the Housing and Economic Recovery Act of 2008 to implement the Neighborhood Stabilization Program. The primary purpose of this funding will be to provide emergency assistance to redevelop abandoned and foreclosed homes. The continued 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 2010, 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 will receive \$2.9 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 \$613,100 in the FY 2010 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 \$950,000 to help promote tourism in the County.

8. Cultural Arts and Historic Preservation

The County's arts and history is a key element of the countywide vision which is supported in programs in other agencies such as arts in public places in the Office of Central Services.

STATE OF CHARTER FOR CHANGE

Each year, the Administration reviews and improves Charter for Change which increasingly serves as the basis for county budgeting and

decision making. The goal of which is to ensure resources are utilized efficiently and effectively. To accomplish this, the County's focus has been on planning, measuring and informing decision making.

Achieving Results

Charter for Change's intended impact is to improve the efficiency and effectiveness of the services delivered in the County. Of the 80 quantified objectives reported in FY 2010's proposed budget book - 65% have performance data improving toward agency's FY 2016 targets.

What does this mean?

Objectives indicate the impact county services have on citizens and residents. This is the reason why citizens and residents pay taxes. Therefore, the services we provide are having an improved impact on our citizens and residents.

For example, the Police Department since 2006 has been able to influence the reduction of the number of violent crimes in the County. Meaning, citizens and residents are safer in 2009 than they were in 2006.

Another example is for the Department of Public Works and Transportation where the number of cars damaged on county roadways has dramatically reduced from 86 in FY 2006 to 64 in FY 2008 and is estimated to have further reductions in 2009. This means county roadways have fewer problems

– like potholes – making the roadways safer to travel.

Countywide Ratings

In order to encourage and monitor the performance management system, starting for the FY 2008 budget process each agency is rated based on their strategic plans, performance measures, use of performance information in decision making and actual performance. Please note that the rating standards and requirements have been altered from year –to –year.

Based on this rating, the County identifies excellent work in performance management through three awards: (1) highest achievement – meaning the agency's rating was in the highest rating range in the County; (2) achievement – meaning the agency's rating was the second highest rating range in the County and (3) improvement – meaning the agency dramatically improved their rating from one rating range to another.

In FY 2010, eight of the 24 participating agencies were scored in the highest rating area – earning them the Highest Achievement Award. This is an improvement from FY 2009 where three agencies were rated in the highest rating area. In FY 2010, 11 agencies qualified for the Achievement Award and 12 agencies improved their Charter for Change efforts – making them eligible for the improvement award.

**CHARTER FOR CHANGE
AWARD WINNERS
FY 2010 BUDGET PROCESS**

Highest Achievement Award	Achievement Award	Improvement Award
<ul style="list-style-type: none"> ▪ Office of Finance ▪ Office of Law ▪ Memorial Library ▪ Office of Community Relations ▪ Board of License Commissioners ▪ Public Works and Transportation ▪ Office of Housing and Community Development ▪ Police Department 	<ul style="list-style-type: none"> ▪ Office of Information Technology ▪ Human Relations Commission ▪ Fire/EMS Department ▪ Department of Social Services ▪ Department of Family Services ▪ Citizen Complaint Oversight Committee ▪ Board of Elections ▪ Department of Environmental Services ▪ Health Department ▪ Soil Conservation 	<ul style="list-style-type: none"> ▪ Office of Finance ▪ Office of Law ▪ Office of Community Relations ▪ Board of License Commissioners ▪ Department of Public Works and Transportation ▪ Office of Housing and Community Development ▪ Police Department ▪ Human Relations Commission ▪ Department of Social Services ▪ Board of Elections ▪ Orphans' Court ▪ Personnel Board

Performance Based Budgeting

Managers make decisions that inevitably determine the efficiency and effectiveness of the County's services for customers. In the course of a decision, information regarding the plan and how well the plan is being accomplished is critical to ensuring a focus on results being delivered to citizens. Therefore, an integration of information with decision making processes is critical to facilitate service delivery improvements. One of the approaches to accomplish this is through performance based budgeting.

In FY 2010, the Administration's budget process effectively utilized performance information to guide decision making (for Charter for Change participating agencies). In budget meetings that typically take place as part of the process performance information was utilized in 85% of the meetings – the result of 140 separate questions or decisions related to agency performance.

Although this information indicates some success, the County in the future is interested in tracking the amount of money directly tied to maintaining or improving agency performance.

FISCAL AND FINANCIAL POLICIES

A number of county policies provide guidance for planning and developing the budget. These fiscal policies are developed to ensure that resources are allocated to maintain the short, middle and 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. One approach to accomplish this is having a balanced budget. 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. In addition, 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. These funds are 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 \$132.0 million in FY 2009 and \$129.0 million in FY 2010.

Maintain a General Fund Operating Reserve

To ensure a reasonable degree of stability in its programs over the long-term, the County must have the budgetary flexibility to deal with events that can create instability such as emergency situations, severe economic fluctuations, or State and Federal policy changes. 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 as long as a plan exists to replenish the reserves. The FY 2010 operating reserve is projected to be \$51.6 million.

Undesignated Fund Balance

In addition to the contingency and operating reserves, the County has an undesignated fund balance (\$65.0 million at the end of FY 2008) due to effective expenditure controls and higher-than-expected revenues. In FY 2009 and FY 2010, in order to mitigate the impact of declining county revenues due to the economic downturn and ongoing expenditure needs, 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 1.0% in FY 2008 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 few years, the ratio has stayed well below 4.0%, and it was 2.7% in FY 2008. The anticipated bond sales in FY 2010 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-term, 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 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 continues to contribute 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 2010, the County continues its commitment to reduce the risk management fund deficit.

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 2010 will mark the third 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.