

GUIDE TO THE BUDGET DOCUMENT

This is one of two documents presenting the County's proposed budget for Fiscal Year 2010 (FY 2010). 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 2015. 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 Proposed Capital Budget and Program*.

HOW TO READ THE BUDGET BOOK

The budget book includes three important items regarding the County's FY 2010 proposed budget: summary information, agency budgets and supplemental information which are explained in the sections below.

SUMMARY INFORMATION

The summary sections are identified by three individual tabs listed below.

- **Strategic / Fiscal Policies** - Summarizes the application and use of the County's performance management system and financial policies that are utilized and implemented in the proposed budget.
- **Budget Overview** – Provides a summary of the FY 2010 proposed budget's expenditures, revenues, distribution of funds, positions, fringe benefit costs and fund balance.
- **Revenue** – Details the County's revenues that fund this and past budgets.

AGENCY BUDGET SECTIONS

Individual agency budgets (such as the Police Department and Office of Homeland Security) are grouped by functional areas such as Public Safety. These agencies are also sub-classified by activities, such as Bureau of Patrol or Security Operations Division. Each agency budget includes the following sections: Mission and Services, FY 2010 Budget Summary, Service Delivery Plan and Performance, FY 2009 Key Accomplishments, Organizational Chart, Funds Summary, Staff Summary, Five Year Trends, General Fund, Other Funds (Internal Service, Enterprise, Special Revenue Fund) and Grants section. Each of these sections are explained below.

Mission and Services and FY 2010 Budget Summary
Below is a sample page for the first two sections for each agency which includes Mission and Services and FY 2010 Budget Summary sections. These sections summarize the agency's strategic direction, responsibilities and proposed

budget. Below, more detail on each subsection is provided. In some cases, an agency displayed in the budget book may or may not have all of the items illustrated below.

MISSION AND SERVICES																												
<p>Mission - The Fire and Emergency Medical Services (EMS) Department provides emergency medical, fire, rescue and specialized and prevention services to our community in order to protect lives, property and the environment.</p> <p>The agency's mission supports accomplishing the countywide vision by:</p> <ul style="list-style-type: none"> ▪ Working for safe communities ▪ Working for economic vibrancy ▪ Working for healthy citizens and students ▪ Working for a clean environment 																												
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<p>The FY 2010 proposed budget for the Fire/EMS Department is \$110.4 million, a decrease of \$2,324,300 or 2.1% under the FY 2009 approved budget.</p> <p>GENERAL FUNDS The FY 2010 proposed general fund budget for the Fire/EMS Department is \$109.9 million, a decrease of \$2,254,300 or 2% under the FY 2009 approved budget.</p> <p>Where the Money Goes –</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>FY 2009 APPROVED BUDGET</th> <th>FY 2010 PROPOSED BUDGET</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: right;">\$112,124,708</td> </tr> <tr> <td>FY 2009 compensation adjustments COLAs and Merits (includes impact on fringe)</td> <td style="text-align: right;">\$1,627,900</td> </tr> <tr> <td>FY10 additional salary lapse (includes impact on fringe)</td> <td style="text-align: right;">(\$475,400)</td> </tr> <tr> <td>FY 2010 Temporary/Seasonal Employees</td> <td style="text-align: right;">(\$88,200)</td> </tr> <tr> <td>Reduction in force, 46employees (includes impact on fringe)</td> <td style="text-align: right;">(\$3,018,900)</td> </tr> <tr> <td>Furlough for 10 days for all employees (includes impact on fringe)</td> <td style="text-align: right;">(\$3,585,200)</td> </tr> <tr> <td>FY 2010 reduce overtime (includes impact on fringe)</td> <td style="text-align: right;">(\$2,766,200)</td> </tr> <tr> <td>Fringe Benefits rate change from 58.9% to 67.85%</td> <td style="text-align: right;">\$7,318,300</td> </tr> <tr> <td>Miscellaneous Operating</td> <td style="text-align: right;">\$659,700</td> </tr> <tr> <td>Eliminate inspections and repairs of apparatus</td> <td style="text-align: right;">-\$4,800</td> </tr> <tr> <td>Recoveries increase rate change from 56.9% to 67.85%</td> <td style="text-align: right;">(\$202,100)</td> </tr> <tr> <td>FY 2010 PROPOSED BUDGET</td> <td style="text-align: right;">\$110,272,400</td> </tr> </tbody> </table>			FY 2009 APPROVED BUDGET	FY 2010 PROPOSED BUDGET		\$112,124,708	FY 2009 compensation adjustments COLAs and Merits (includes impact on fringe)	\$1,627,900	FY10 additional salary lapse (includes impact on fringe)	(\$475,400)	FY 2010 Temporary/Seasonal Employees	(\$88,200)	Reduction in force, 46employees (includes impact on fringe)	(\$3,018,900)	Furlough for 10 days for all employees (includes impact on fringe)	(\$3,585,200)	FY 2010 reduce overtime (includes impact on fringe)	(\$2,766,200)	Fringe Benefits rate change from 58.9% to 67.85%	\$7,318,300	Miscellaneous Operating	\$659,700	Eliminate inspections and repairs of apparatus	-\$4,800	Recoveries increase rate change from 56.9% to 67.85%	(\$202,100)	FY 2010 PROPOSED BUDGET	\$110,272,400
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<p>GRANT FUNDS The FY 2010 proposed grant budget for the Fire/EMS Department is \$571,000, a decrease of \$700,000 or 10.9% under the FY 2009 approved budget. Major changes in the FY 2010 proposed budget include:</p> <ul style="list-style-type: none"> ▪ County Cash Match 																												

- **Section 1: Mission and Connection to the Countywide Vision** – Includes the agency's mission statement which summarizes the agency's purpose; below the mission is a list of the areas of the countywide vision the agency supports accomplishing.
- **Section 2: Agency Responsibility** – Lists the agency's impact on its customers through the services it delivers.
- **Section 3: FY 2010 Budget Summary** – Provides the agency's FY 2010 funding level for all funding sources.
- **Section 4: General Funds** – Presents an overview of the funds budgeted for FY 2010. Includes Where the Money Goes table illustrating all of the changes from the FY 2009 approved budget that result in the FY 2010 proposed budget.
- **Section 5: Other Funds** – Provides an overview of all funds budgeted for FY 2009 that are not general funds including special revenue and grant funds.

Service Delivery Plan and Performance and FY 2009 Key Accomplishments

Below is a sample page for the next two sections: Service Delivery Plan and Performance and Key Accomplishments. These sections provide the agency's strategic plan, service delivery performance and highlighted FY 2009 achievements. In some cases, an agency displayed in the budget book may or may not have all of the items illustrated below.

SERVICE DELIVERY PLAN AND PERFORMANCE

GOAL 1 – To provide emergency medical services to the citizens, residents and visitors of Prince George's County in order to ensure the protection of lives, property and the environment from fire and medical emergencies. **1**

Objective 1.1 -

Statement and Targets **FY 2016 Objective Target Compared with Performance**

Increase the percent of advanced life support ambulance responses arriving within 10 minutes from 65% in FY 2008.

- By FY 2010 – 70%
- By FY 2013 – 80%
- By FY 2016 – 90%

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Measure Name	Measure Category	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Projected
Number of advanced life support (ALS) capable ambulances	Input	13	13	14	14	14
Number of ALS capable engines	Input	1	2	3	3	3
Number of ALS ambulances and engines	Input	14	15	17	17	17
Number of ALS calls	Output	41,350	41,524	43,400	45,000	46,000
Average number of ALS calls for service per ALS ambulance and fire engine	Efficiency	2,953.6	2,769.3	2,552.9	2,647.1	2,705.9
Average ALS response time	Outcome	9:46	9:20	9:09	9:23	9:20
Percent of ALS ambulance responses arriving within 10 minutes	Outcome	61%	63%	65%	66%	67%

Performance Measures –

Performance Measures Explanation – The department has improved advanced life support (ALS) services through several methods, including establishing a paramedic training program at our training academy that enables our department to train and certify ALS employees. Deploying additional ALS resources such as paramedic ambulances, paramedic engines and ALS trained supervisors. Depending on the nature of the emergency and the availability and proximity of an ambulance, a fire engine may be dispatched to initiate patient care. Response times are impacted by geographical sizes that ALS units cover as urban areas are smaller and rural areas are larger.

Strategies to Accomplish the Objective –

- Strategy 1.11 – Respond to all 911 calls for ALS service
- Strategy 1.12 – Deployment of ALS units based on needs demonstrated by call volume
- Strategy 1.13 – Partner with the Volunteer Fire Commission to provide comprehensive service delivery
- Strategy 1.14 – Ensure staff are trained appropriately

FY 2009 KEY ACCOMPLISHMENTS

- The new fire boat as part of the Marine Division for the National Harbor was put into service.
- Established a new emergency transport fee billing and accountability program with increased legislated fees for ALS and BLS emergency transport.
- Restructured the paramedic training arrangement with the Community College, enhancing the program and saving money.

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- **Section 1: Goal** – A statement that defines each services intended impact on the defined customers and how the agency will achieve the agency's mission.
- **Section 2: Objective** – Each goal has one or a set of objectives that define the quantitative impact of the goal for short, middle and long-term targets. Next to the objective is a bar graph that illustrates the actual service performance compared with the service's long-term target.
- **Section 3: Performance Measures** – For each related set of objectives, there is a supporting table of actual, estimated and projected measures for the period of FY 2006 - FY 2010. The performance measures provide a quantitative picture of the service's resources (input measures), workload (output measures), quality and impact (outcome measures) as the result of past, present and future resource allocations. Data for these measures have been

provided by the relevant agencies and are drawn, for the most part, from routine agency records.

- **Section 4: Performance Measures Explanation** – Summary and explanatory information regarding the performance data.
- **Section 5: Strategies to Accomplish the Objective** – A list of approaches the agency has implemented to facilitate accomplishing the objective's short, middle and long term targets.
- **Section 6: FY 2009 Key Accomplishments** - Provides a list of the highlighted accomplishments the agency achieved in FY 2009.

ORGANIZATIONAL CHART

The next section in the budget book is the Organizational Chart. This chart illustrates the core divisions and functional areas of the agency.

FUNDS SUMMARY

Next is a Funds Summary that shows the amounts for General Fund and the Other Funds — for example, the general fund and the Federal and State aided programs fund (grants). This section includes a table illustrating the FY 2008 actual expenditures, budgeted and estimated spending for FY 2009 and total proposed FY 2010 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.

STAFF SUMMARY

The Staff Summary page illustrates the agency's positions by type of employee (full time, part time, limited term) and funding source. The proposed FY 2010 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 Department of Public Works and Transportation's budget pages show how many Equipment Mechanic positions are proposed for FY 2010. The Police Department's staffing by category illustrates 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.).

FIVE YEAR TRENDS

Charts summarizing Five Year Trends for expenditures and staffing are provided next. The expenditure chart details actual spending from FY 2006 – FY 2008, budgeted funds for FY 2009 and the proposed appropriation for FY 2010. The Full Time Staff table reflects the budgeted complement for all funds.

GENERAL FUND

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 2010 proposed 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 and 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 illustrated and percentage changes comparing past years with the FY 2010 proposed expenditure and staffing levels are included.

INTERNAL SERVICE, ENTERPRISE, SPECIAL REVENUE FUND OR GRANTS

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 parallel the County fiscal year. The Staff Summary by Grant Program Chart displays the number of staff positions supported by grant funds comparing past years with FY 2010. 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 illustrate 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.

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.

GENERAL FUND

The general fund is the largest operating fund, accounting for approximately 85% 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

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

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 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

Special revenue funds are used to account for special taxes or other dedicated revenues 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 supports the costs of drug enforcement and drug related education activities within the County. Revenue is generated from the forfeiture and sale of property seized as a result of drug enforcement activities. The available funds are distributed by the Police Department based on Federal regulations.

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

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; instead GAAP illustrates this 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

Agencies whose operating budgets are proposed 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 proposed by these agencies. The Council must then approve these budgets (or the portions affecting Prince George's County).

The Board of Education, Memorial 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's budget. In addition, the Board of Education prepares a separate operating budget document that describes the Board's spending plan in detail.

Semi - Autonomous Agency	Receives General Fund Revenue	Operating Included in County Document	Prepares Separate Budget Document
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	Yes	Yes	No
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.			

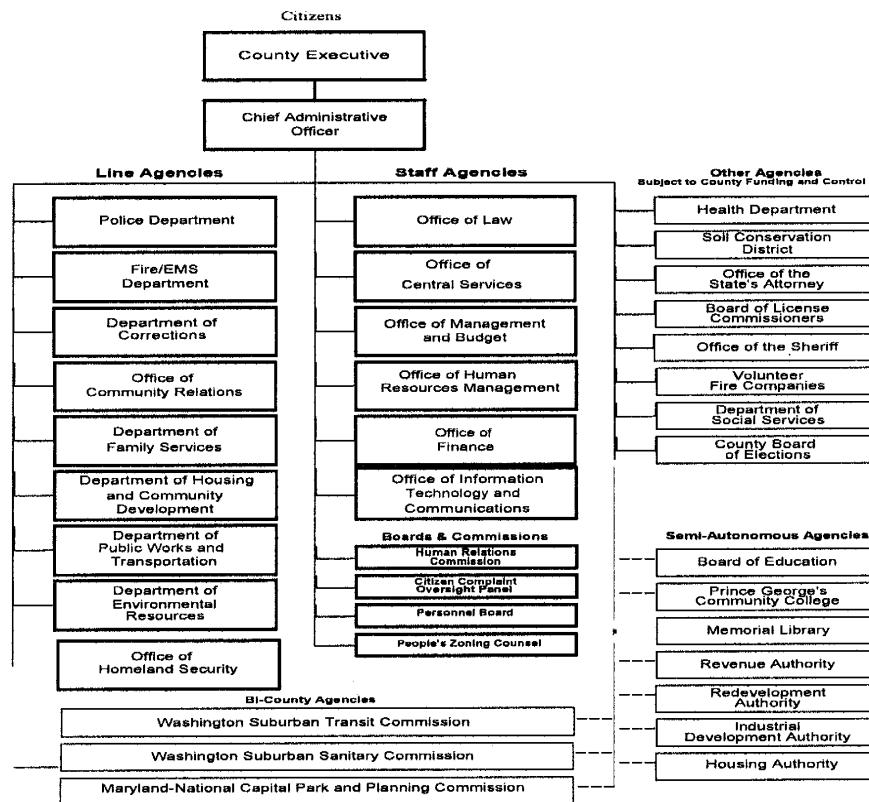
COUNTY GOVERNMENT ORGANIZATION

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 illustrates 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
Executive Branch



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.

OPERATING BUDGET PROCESS

The operating budget is prepared over a ten month period beginning in August and ending in May of the next calendar year.

The operating budget process is impacted by the following:

- **Spending Affordability Committee** – In 1997, a Spending Affordability Committee composed of five members was established under county legislation. 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.
- **Charter for Change** – As part of the County’s performance management system (Charter for Change) and commitment to data-driven decisions to accomplish the countywide vision, performance based budgeting has a significant role in the

operating budget process. Refer to the Strategic Policies section for more information.

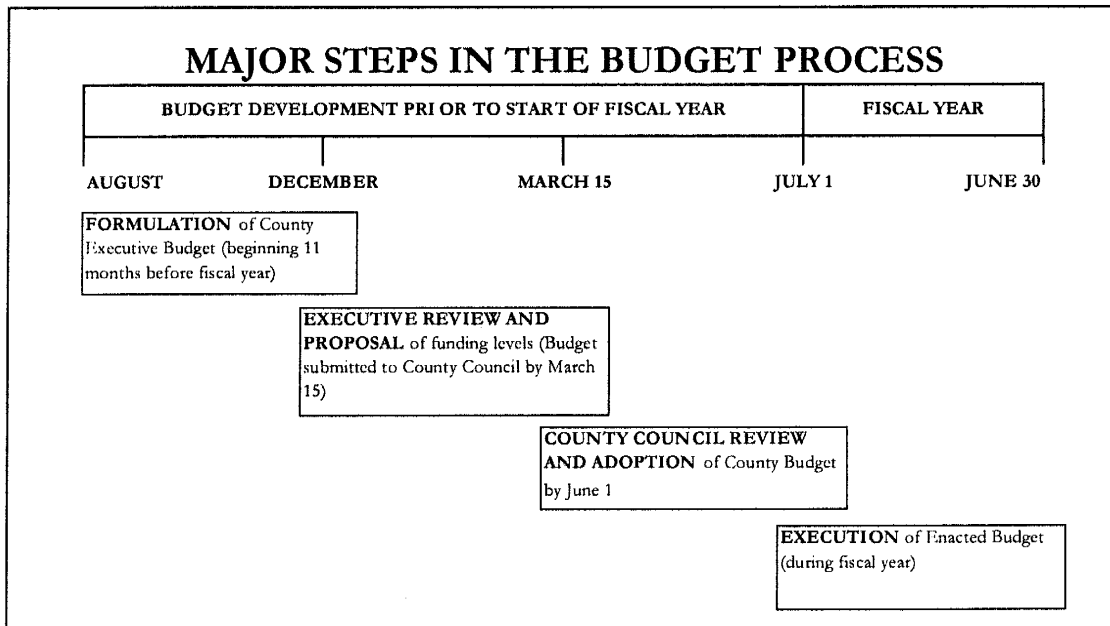
The sequence of events is as follows:

August–December - Formulation:

- 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, 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 by reviewing and evaluating their performance data, strategic plans, expenditure trends and other data, prepare their operating budget request and submit their request to the Office of Management and Budget. The requests are usually due by the middle of November.

December-March - Executive Review and Proposal:

- The Spending Affordability Committee presents its final report at the end of December.



- Budget requests are reviewed and evaluated by Office of Management and Budget staff during the months of December and January. Decisions consider available funding, agency performance, ability to accomplish the agency's strategic plan and countywide vision and historical expenditures.
- Meetings are held between agencies and the Office of Management and Budget to review and discuss budget submissions.
- The County Executive holds at least one public hearing on the budget during the months of January and 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.

April-May - County Council Review and Adoption:

- 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 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 the middle of 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 proposed operating budget takes effect on July 1, the beginning of the fiscal year.

Formulation of the proposed 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.

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.

August-September - Formulation

- 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.

October-March - Executive Review and Proposal:

- 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 and 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.

April-May - County Council Review and Adoption:

- 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 the middle of 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 proposed 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 proposed 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 proposed 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.

