

## STRATEGIC AND FISCAL POLICIES

A number of County policies provide the context for developing the spending priorities in any given year. Two of the major policies are the County's global vision – *Livable Communities* – and various fiscal policies. The *Livable Communities* vision provides the basis for the spending priorities, while the fiscal policies provide the balance between accomplishing these spending priorities within the framework of sound financial management policies and practices. These policies are the foundation of both short-term and long-term planning decisions. The sections below summarize these policies.

### ***Livable Communities* - The Vision**

*Livable Communities* 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. A community that we all can be proud to call home and one that is attractive to live, work, learn, play, worship, stay healthy, and grow old in. The County will use an integrated management system, *Charter for Change*, to support the facilitation of this vision.

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

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

*Livable Communities* is the vision that will guide, support, and assist the government, residents and businesses of Prince George's County in the implementation of principles that will result in a healthy, safe, and clean community. There are four essential components to the plan:

1. **Aesthetically 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. **Safe** - 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. **Economically Vibrant** - Provide an atmosphere within the County that will encourage businesses to invest in the community.

### ***Charter for Change* - The Strategic Plan**

The strategic plan provides a logical approach to implementation and resource allocation for the County's *Livable Communities Initiative*. The Prince George's County strategic plan is an integrated management system known as Charter for Change (CFC).

CFC is a systematic approach that provides a venue for the County's leadership team to begin and/or continue the development of collaborative relationships. It also allows the team to discover opportunities for collaborative partnerships between the departments to achieve interdependent missions, provide a forum for open

dialogue and “out of the box” strategic discussions, and to provide guidance on implementation. CFC uses the following questions to guide the *Livable Communities Initiative*:

1. What services does the County want to provide?
2. What funds will be necessary to provide those services adequately?
3. How will we know we have done it well?

### ***Livable Communities Programs and Services***

Below are the objectives of the *Livable Communities Initiative* and the highlights of major investments in the Approved FY 2006 budget for the seven elements of the *Livable Communities* vision.

#### **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 approved budget includes \$1.37 billion in funding for the Board of Education, an increase of \$105.2 million over the FY 2005 approved budget. County funding increases by approximately \$16.7 million in FY 2006. The remainder of the increase comes from primarily State funding through the Bridge to Excellence in Public Schools Act formula. Funding for the Board will constitute 63% of all General Fund spending in FY 2006. This increase will allow for smaller class sizes, rewarding the hard-working teachers and administrators, and the expansion of early childhood programs.

The County will also make significant investments in a number of school construction projects in FY 2006. Funds are provided in the capital budget for two new high schools (Regional High School and High School #1). Construction will also begin on high school additions to Parkdale, Potomac and DuVal High Schools. Three new schools will open in FY 2006 – Whitehall Elementary School, Suitland Elementary (Formerly Homer Avenue Elementary), and William Hall Elementary (Formerly Greater Capital Heights Elementary). In addition, the newly renovated Bladensburg High School will open. The County continues to commit funds to rebuild aging infrastructure since most County schools were constructed before 1970.

#### **2. Public Safety**

Public Safety is another vital aspect of the County’s *Livable Communities Initiative*. It is essential that the County respond quickly and efficiently to emergencies while also working on a daily basis to maintain a safe community. The County is creating a comprehensive approach to public safety by coordinating the responses of all government agencies and increasing the community presence of police officers and other public safety officers.

Part of this strategy requires directing additional resources toward public safety staffing. The Police Department will conduct four new recruit classes in FY 2006 for a total of 200 recruits. In addition, the Police Department will continue to implement the Community Oriented Policing model to help train officers who are assigned to and work with approximately 1,500 citizens. Together, they collaborate on problem solving and crime reduction programs. The Office of Homeland Security has funds to hire 3 new Part-time Emergency Dispatchers to assist in its emergency 9-1-1 call center, and Office of the Sheriff has added sworn and civilian staff to its domestic violence division to improve service delivery. The Fire/EMS Department will have three recruit classes of 40 and provide targeted awareness and educational outreach programs to school children and senior citizens. The Department of Corrections will conduct two new recruitment classes of 30 each in FY 2006. In addition, the Department will be opening Leslie’s House, a transition home that offers a variety of programs and services designed to address the emotional, educational, physical, social and behavioral needs of women being released from detainment at the Prince George’s County Correctional Center.

### **3. Health and Human Services**

Another essential goal of this administration is to provide a health care system that strives to inform and provide the needs of the residents of Prince George's County. The FY 2006 approved budget includes \$28.8 million in funding for various health programs, services for the elderly and disabled, and services for families and children in need. The FY 2006 budget includes \$9.5 million to the Dimensions Healthcare System, Inc and \$6.3 million from the State for the Prince George's Hospital Center. This grant will help provide for the stabilization and viability of the health system. Funds in FY 2006 will also help fully implement programs and services at the Suitland Health Center, expand the Senior Training and Employment Program (STEP), and increase environmental and health inspections by the Health Department. Resources were also allocated to implement a new Veterans' Affairs Office to improve the coordination of services for the County's veterans.

The Department of Social Services received \$150,000 to improve its services for homeless women, children and families located at Shepherd's Cove and the Family Emergency Shelter. In an effort to keep the community informed of the various activities taking place within its Department, the Health Department has received \$60,000 that will utilize radio, television and print marketing campaigns for public health services. The creation of the Office of Planning and Evaluation in the Department of Family Services will expand its capacity for grant writing, community training, contract management and public relations.

### **4. Transportation**

Transportation is an important element of the County's *Livable Communities Initiative*. The Department of Public Works and Transportation (DPW&T) will continue to fully fund *TheBus*, paratransit, and other mass transit services to meet the needs of the citizens for flexible, reliable transportation service. In FY 2006, DPW&T will continue to install the second phase of the Automated Vehicle Locator (AVL) System, resulting in more reliable service, increased safety, higher ridership and improved customer service. DPW&T will start to implement the second phase of the Traffic Response and Information Partnership (TRIP) Center program in FY 2006 upon receiving the federal grant award, which will provide intelligent transportation systems to further improve traffic management and emergency communication. DPW&T will also resurface 26 miles of roads in County Subdivisions and 14 lane miles on arterial roads in FY 2006.

### **5. Environment**

The environment continues to play a critical role in the development of *Livable Communities*. One goal is to provide a clean community and to protect the County's natural resources. DPW&T received a \$160,000 increase for road median mowing contracts and will continue to receive full funding for street sweeping, litter control, and tree maintenance. DPW&T will continue to help the beautification of Prince George's County by planting trees and flowers on arterial and gateway roads. DPW&T also has a \$500,000 enhancement for leaf collection contracts to reduce the leaf collection period from four months to two months.

The Department of Environmental Resources (DER) has created a new Environmental Compliance Section in the Waste Management Division to provide centralized oversight for environmental matters in a more stringent regulatory environment. DER will continue to work closely with the Police Department and the Courts to hold code violators accountable. DER received \$150,000 to help monitor water quality on the Anacostia River and also received increase funding for leachate treatment operation and maintenance.

### **6. Housing and Community Development**

Another important piece of the *Livable Community Initiative* is housing and community development. The goal here is to increase the supply of quality affordable housing by creating safe, well-planned, and attractive communities.

In FY 2006, this Administration will continue its efforts to revitalize the County's inner beltway communities. An additional \$3.0 million in County funds are allocated for the Suitland Manor revitalization project to assist with the acquisition and demolition of various properties. The proposed budget also has \$1.0 million in funds for the African-American Cultural Center in North Brentwood. This project will help citizens celebrate the history and legacy of African-Americans in Prince George's county. The County continues to move forward with other housing and community development projects including the Gateway Arts District, the International Corridor in Langley Park, transit-oriented development near Addison Road and Capitol Heights Metro Station, and the renovation of historic McCormick-Goodhart Mansion in Langley Park for a multi-cultural service center.

## **7. Economic Development**

Economic Development is a vital component of *Livable Communities* to ensure a high quality of life and the long-term viability of Prince George's County. In FY 2006, the County has significant funds invested in three economic development-related agencies to attract and retain businesses, promote the County's tourism activities, and provide financial assistance to businesses. The Prince George's County Visitor Center Bureau is receiving \$660,000 to promote tourism in Prince George's County.

In FY 2006, construction will begin on the long awaited National Harbor Project which will be the largest convention center and hotel complex in the Washington region and the largest development in the history of Prince George's County. This development will eventually include three hotels with a total of 3,500 rooms along 1.25 miles of Potomac River frontage. It is expected to create 1,850 permanent jobs and more than 1,000 construction jobs.

With the assistance of the International Economic Development Council (IEDC), the County is defining the economic development strategy for the next decade. Bringing together County leaders, community leaders, business leaders, the IEDC will help the County reach its incredible potential as a place to do business.

## **8. Performance Management System**

The goal of performance measurement is to provide a streamlined picture of key departmental initiatives and costs along with clear-cut performance information that measure the impact of County services. Agencies will link their performance information to their major cost drivers in order to better inform County stakeholders on the best way of allocating limited resources among County agencies and departments.

In FY 2005, agencies were required to revise their goals, objectives, and performance measures for their divisions. For the FY 2006 budget, agencies were required to update their goals, objectives, and measures based on their Charter for Change plans. Agency charters illustrate their strategic and measurable contributions to the County's *Livable Communities Initiative*.

## **FISCAL POLICIES**

A number of County policies provide the context for planning and developing the budget in any given year. Fiscal policies address the acquisition and general allocation of resources: revenue sources, fund balance, forecasting procedures, etc.

- 1. Keep the County in a Strong Financial Condition.** The County will continue to maintain strong financial management controls and practices. Sound cash management, financial management, and service management must continue. Fiscal year budgets must be closed with a balanced or surplus status. Policies necessary to maintain a healthy balance sheet and to maximize cash management strategies must be employed.

## 2. Maintain Sound Cash Management.

- **Maintain a Contingency Reserve.** A Charter amendment adopted by the voters in November 2002 requires that the County maintain a General Fund contingency reserve 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 \$101.1 million in FY 2005 and \$108.9 million in FY 2006.
- **Retain 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. County policy is to retain an operating reserve equal to at least 2% of the General Fund budget. This reserve is a continuing and non-lapsing source of unappropriated funds that can be used to offset the impact of budget exigencies 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 2006 operating reserve will be \$71.8 million (3.3%). Combining the contingency and operating reserves, the County will set aside \$180.7 million in FY 2006.
- **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. (The 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 over 85% of its monies from an ad valorem property tax, making this fund extremely vulnerable to fluctuations in that single revenue source. To minimize fiscal volatility in these funds, County policy calls for maintaining reserve levels in each fund group that will not exceed 5-10% in all internal service funds and 25% in all enterprise funds. 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 the rising needs for capital projects. The County's statutory debt limit under the Annotated Code of Maryland calls for net direct debt of no more than 6% of the assessable base and the County policy is to limit this debt to 3%. County policy also requires that the ratio of debt service to General Fund expenditures not exceed 8%. Prince George's County remains well below its self-imposed and statutory limits. In FY 2004, the ratio of net direct debt to assessed value was 1.4% based on full market value, and debt service payment as a percentage of General Fund expenditures was 4.2%. The anticipated bond sales in FY 2005 and FY 2006 will be conducted in accordance with the County's debt policies. The County also follows a strategy of retiring debt rapidly, and has been utilizing alternative resources to fund capital projects. In addition, the County plans to begin implementation of a long-term commitment to utilize pay-go funding to assist in financing capital projects. In FY 2006, the proposed budget includes \$50.1 million in pay-go funds.

## 3. Maintain Sound Financial Management.

- **Use Conservative Assumptions in Forecasting Revenue Growth.** The fiscal integrity of a government is 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.
- **Respond Prudently to Revenue Growth.** Updated revenue estimates indicate that revenue growth remains strong in FY 2005 and will maintain its momentum in FY 2006 as the economic outlook improves. However, risks exist for potential reductions of State aid. The County will continue its policy of responding prudently to revenue growth.
- **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 (e.g. balanced budget).

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.

- **Allocate Revenues in Keeping with County Priorities.** Excluding outside revenues for educational agencies and taxes dedicated to the Board of Education, County-source revenues in FY 2006 are projected to increase by 7.3% from the FY 2005 budget. These revenues are specifically targeted to the major priorities of the *Livable Communities Initiative*. This policy has to be carried out while satisfying legal obligations such as paying debt service and maintaining the 5% Charter-mandated contingency reserve. In addition, the County has established a 2% operating reserve in addition to the contingency reserve as a policy to provide budgetary flexibility against uncertainties and protect the County's bond rating.
- **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 current County budgetary policies and actions or inaction do not lead to unexpected financial burdens that could require drastic remedies in the years to come.
- **Risk Management.** The County's risk management strategy recommends maintaining a level of reserves that is consistent with actuarial valuations. In FY 2006, the County has increased its contribution toward workers compensation by \$2.6 million. The County's Risk Management Oversight Committee continues to review claim experience and provides policy guidance in efforts to control costs.
- **Monitor Fringe Benefit Costs.** The rate of return for the County's pension funds is slightly more than forecasted in actuarial studies. Prudent fiscal management requires alertness to the forces effecting changes in the pension funds so that current and future liabilities can be met. Rising health care costs is another issue that affects businesses and governments nationwide. The County will work to ensure stability by continuing to balance quality health care services for County employees with measures designed to control costs.