

## 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 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. **Esthetically Pleasing** - Work to ensure that the County is free of litter and other debris and that it is truly an attractive place to live, work, or visit.
2. **Safety** - To make certain that there are safe streets and communities to enhance the quality of life for the residents of Prince George's County.
3. **Educational Excellence** - To create a learning environment that guarantee's every child in Prince

George's County has the opportunity to grow and prosper as a student.

4. **Economic Vibrancy** - Provide an atmosphere within the County that will encourage businesses to invest in the community.

### ***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)*.

*Charter for Change* 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 adequately provide those services?
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 2007 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 FY 2007 budget includes \$1.49 billion in funding for the Board of Education, an increase of \$116.6 million over the FY 2006 approved budget. County funding increases by approximately \$40.2 million in FY 2007. 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 close to 62.9% of all General Fund spending

in FY 2007. 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 2007. Funds are provided in the capital budget for two new high schools – Dr. Henry A. Wise Jr. High School and Oxon Hill High School Replacement. Funds are also included for classroom additions to Parkdale, Potomac and DuVal High Schools. Three new schools will open in FY 2007 – West Hyattsville Elementary School, Bowie Elementary School, and Dr. Henry A. Wise Jr. High School. 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 terrorist attacks of 2001 highlighted the need for increased emphasis on planning and preparedness as well as regional and local collaboration. The County is creating a comprehensive approach to homeland security 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 towards public safety staffing. The Police Department will again conduct four new recruit classes in FY 2007 for a total of 200 recruits. In addition, the Police Department will continue to implement the Community Oriented Policing model to help train officers and assign each officer approximately 1,500 citizens per beat, working with those citizens in problem solving and crime reduction programs. The Office of Homeland Security has been provided funds to hire a 9-1-1 center supervisor and new staff to support the Mobile Data Computer Information System. The Office of the Sheriff has added sworn and civilian staff to its domestic violence division to improve service delivery. The Fire/EMS Department will again have two recruiting 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 25 each in FY 2007. In addition, the agency will continue to support 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 well functioning health care system. A health care system striving to inform and provide for the needs of the residents of Prince George's County. The Department of Social Services will continue to improve the services for homeless women, children and families located at Shepherds Cove and the Family Emergency Shelter and is consolidating its fraud investigation, purchasing, and fleet management functions into a single unit in order to enhance service and ensure integrity in agency processes. The Health Department will open an additional School Based Wellness Center at Bladensburg High School and will open the Office of Youth Strategies in FY 2007. The Department of Family Services will receive an Administrative Specialist to serve as lead in the newly created Office of Planning and Evaluation which will continue to expand the Department's capabilities for grant writing, community training, contract management and public relations.

## **4. Transportation**

Transportation is another important element of the County's Livable Communities Initiative. The Department of Public Works and Transportation (DPW&T) will continue to fully fund *The Bus*, paratransit, and other mass transit services to meet the needs of the citizens for flexible, reliable transportation service. In FY 2007, DPW&T will begin implementation of the second phase of the Traffic Response and Information Partnership (TRIP) Center program upon receiving the federal grant award, which will provide intelligent transportation systems to further improve traffic management and emergency communication. DPW&T will also receive \$2.52 million in one-time investments in FY 2007 for such important functions as pavement marking maintenance, traffic signal upgrades, and new buses to meet the County's growing needs.

## **5. Environment**

The environment continues to play a critical role in the development of Livable Communities. One strategy for providing a healthy and attractive environment is to provide clean communities that protect the County's natural resources. DPW&T receives a \$400,000 increase in FY 2007 for landscaping contracts and for street sweeping, litter control, and tree maintenance. DPW&T will continue to contribute to the beautification of Prince George's County by planting trees and flowers on arterial and gateway roads. DPW&T will also receive an additional \$1.2 million enhancement for new positions to expedite street construction permits. Further funds are

budgeted for additional bulky trash collection, curbside recycling, and refuse collection contracts.

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 enforce consequences for code violations. DER will also receive additional funding in FY 2007 to support curbside recycling, refuse collection, and bulky trash collection.

## 6. Housing and Community Development

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

In FY 2007, this Administration will continue its revitalization of the County's inner beltway communities. Some of the major development projects that will continue include the Gateway Arts and Entertainment District, the International Corridor in Langley Park, facilitation of transit oriented development around the Addison Road Metro station, and continued investment in the Suitland Manor Redevelopment Project which should complete its acquisition and relocation phase in FY 2007. In addition, funds have been budgeted for the African American Museum in North Brentwood. These monumental efforts are the results of strong partnerships between public, private and non-profit organizations and continued funding through Federal, State and local agencies.

## 7. Economic Development

Economic Development is a vital component of Livable Communities' commitment to ensure a high quality of life and the long-term viability of Prince George's County. In FY 2007, the County continues to invest significant funds in three economic development-related agencies that work to attract and retain businesses, promote the County's tourism activities, and provide financial assistance to businesses. The Economic Development Corporation (EDC) will receive \$2.7 million to support several new positions as well as increased marketing and public relations, and travel expenses to promote the County abroad. The EDC has successfully established its international economic development strategy and will continue to strengthen this crucial aspect of economic development in FY 2007. The EDC will also use its increased resources to support workforce development services in the County.

The Financial Services Corporation will receive \$680,000 in the FY 2007 in continued support of their work reaching out to local businesses to help them find the financing resources necessary to make sound business decisions. The Prince George's County Visitor Center Bureau is receiving \$927,900 to help promote tourism in Prince George's County. The Visitor Center Bureau enhancement of \$125,000 will support its one stop service function for businesses hosting conferences and events in the County.

In FY 2007, construction will continue on the National Harbor Project. This project 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.

## 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. The idea is to have agencies 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 each individual division. For the 2006 Fiscal Year budget, agencies were required to update their goals, objectives, and measures based on their Charter for Change plans. Agency charters illustrate the agency's strategic and measurable contribution to the County's Livable Communities Initiative. In FY 2007, the agencies have worked to align key services that support their performance objectives that advance them closer to their Charter for Change plans.

## 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 of the County must be maintained. Fiscal year budgets must be closed with a balanced or surplus status. Policies necessary for the County to maintain a healthy balance sheet and to maximize cash management strategies must be followed.

## 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 contingency reserve for the General Fund to be used as a possible source of funding in the event the County Council enacts emergency appropriations in response to unforeseen events. The reserve requirement is 5% of the General Fund budget. The County expects to maintain the required balance in the contingency reserve of \$ 111.1 million in FY 2006 and \$118.7 million in FY 2007.
- **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 emergencies or as a funding source for expenditures that the County Executive and County Council determine would benefit the citizens of Prince George's County. The FY 2007 operating reserve will be \$ 220.9 million. Combining the contingency and operating reserves, the County will set aside \$ 339.5 million in FY 2007.
- **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 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 2005, 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 3.3%. The anticipated bond sales in FY 2006 and FY 2007 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 other than general fund revenue to fund capital projects. In addition, the County plans to include more pay-go capital in its future CIP programs.

## 3. Maintain Sound Financial Management.

- **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.
- **Respond Prudently to Revenue Growth.** Updated revenue estimates indicate that revenue growth remains strong but shows signs of slowdown. In particular, some one-time gains from surging real estate-related revenues will likely dissipate in the near future. The County will continue its policy of monitoring and 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. 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 2007 are projected to increase by 4.1% from the FY 2006 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. The County will continue to improve its internal multi-year budget projections to help plan for future expenditure needs.
- **Risk Management.** Risk management costs have been increasing in recent years. The County's risk management strategy includes maintaining funding consistent with accepted levels of funding confidence. In FY 2007, the County has increased its contribution by \$15 million. The County's Risk Management Oversight Committee will continue working to review claims experience and provide 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.

