STRATEGIES/FISCAL

POLICIES

STRATEGIC AND FISCAL POLICIES

The County utilizes two methods to ensure sound organizational and financial management: (1) performance management – Charter for Change - and (2) financial policies. Charter for Change provides the County's strategic direction and therefore is used to establish spending priorities, while fiscal policies ensure sound financial management and practices. These policies are the foundation of short, middle and long-term planning decisions.

PERFORMANCE MANAGEMENT - CHARTER FOR CHANGE

The Office of Management and Budget (OMB) has led the countywide performance management system entitled Charter for Change since the fall of 2006. This system has institutionalized an integrated, comprehensive and sustainable performance based management system; which ensures that resources are utilized efficiently and effectively.

Charter for Change has four main components: (1) plans, (2) performance measures, (3) performance based budgeting and (4) Executive Management Assessment Program.

PLANS – STRATEGIC DIRECTION

Plans define what an organization intends to achieve; in Charter for Change this is in two sources: (1) the countywide vision entitled Livable Communities Initiative (LCI) and (2) agency plans.

Countywide Vision – LCI

LCI is the countywide vision that all agencies are striving to accomplish, which has been defined by the County Executive. The countywide 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:

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

Essential Components to Accomplish the Livable Communities Initiative

To accomplish the LCI, the County is working toward eight essential components 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 heath 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.

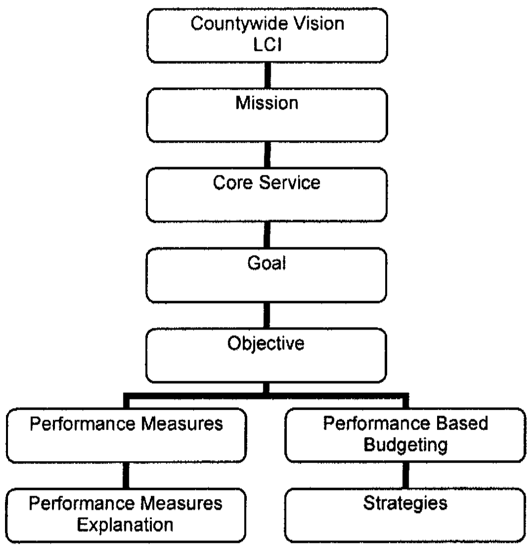
Agency Plans

Agency plans define how each department will accomplish the countywide vision and communicates the agency's intended impact on their customers. Agency plans include mission, core service, goal and objective statements. These statements define the agency's purpose by specifying the agency's core services, customers and outcomes. The agency's linkage to the countywide vision is also included in this section by providing a list of the Essential Components to Accomplish the LCI that the agency is working to achieve.

Agency plans answer the questions:

- How is the agency relevant to LCI?
- What is the agency's impact on citizens and residents?
- Why is this agency important?

OVERVIEW OF THE PERFORMANCE MANAGEMENT SYSTEM'S STRUCTURE



Performance Measures

Performance measures are provided for each objective to illustrate a quantitative picture of the services delivered. Performance measures indicate each objectives' 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 measures answer the question:

- How do we know when we have done it well?

Performance Based Budgeting

Agency plans and performance measures provide an excellent quantitative picture of the services the agency delivers. However, the key to improving service delivery is to implement the agency's plan and evaluate it through performance measures. Accordingly, the evaluated information can be utilized for results based decisions to facilitate the achievement of the countywide vision and agency's plan. This is accomplished in Charter for Change through performance based budgeting.

Performance based budgeting is the use of performance information to justify and evaluate budgetary decision making. This is accomplished by evaluating the agency's ability to accomplish their mission, goal and objectives by reviewing performance measure data and implementing, revising or continuing strategies (and their related costs) to accomplish their plan. In addition, programmatic changes to the agency are evaluated considering the impact on the agency's ability to accomplish their strategic plan.

Performance based budgeting does not replace decisions that consider mandates, line-item changes and financial limitations. Instead, performance based budgeting clearly communicates to decision makers the agency's service delivery plan and performance; and the actions needed to improve performance and close the gap between actual performance and the agency's plan.

This component answers the question:

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

Executive Management Assessment Program (EMAP)

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

STATE OF THE PERFORMANCE MANAGEMENT SYSTEM

Ratings and Awards

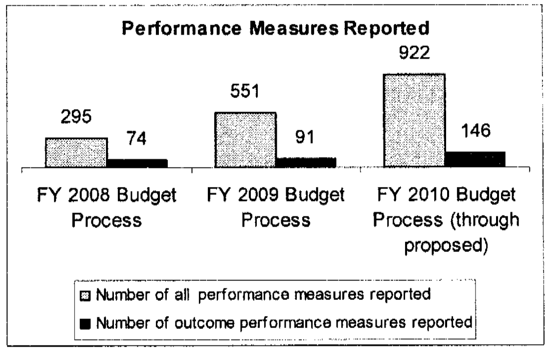
Each year, the Administration reviews and improves Charter for Change which increasingly serves as the basis for county budgeting and decision making. In order to encourage and monitor the performance management system, starting for the FY 2008 budget process each agency is rated based on their strategic 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.

Performance Measures
One indication of success of the system is the number of performance measures reported and the number of those that are outcome measures.

Since FY 2008, the County has experienced more than a 200% increase in the number of performance measures and almost 100% growth in the number of outcome measures. Although the percent of outcome measures has fallen relative to the number of performance measures reported (FY 2008 = 25%; FY 2010 = 16%) this is because agencies have included more comprehensive sets of measures to illustrate their service delivery. The number of performance measures includes agencies that do not participate in Charter for Change but do report performance measures.



Using Performance Information to Improve Services
The performance management system, which includes performance based budgeting, was implemented during the FY 2009 budget process. Measuring the system's effectiveness can be difficult because it is relatively new - but some important proxy measures are illustrating the County is using performance information to make data – driven decisions and improve service delivery.

Performance Based Budgeting
Performance based budgeting is an important tool to facilitate efficient and effective decision making.

CHARTER FOR CHANGE
AWARD WINNERS
FY 2010 BUDGET PROCESS

Highest Achievement Award	Achievement Award	Improvement Award
▪ 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	▪ 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	▪ 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

Using performance information for decision making encourages service delivery performance to improve. In the County, performance based budgeting has been progressing as eight agencies in FY 2009 and nine agencies in FY 2010 utilized performance based budget at a satisfactory level.

In FY 2010, the Administration's budget process effectively utilized performance information to guide decision making (for Charter for Change participating agencies). 85% of the meetings to discuss the budget had performance related questions or decisions. In budget discussion and decision meetings there were 140 separate questions or decisions related to agency performance.

Service Delivery Improvements

For service delivery performance, participating agencies in Charter for Change reported 80 quantifiable objectives – 65% of which are improving toward their FY 2016 objective target (one objective has met its target). The remaining objectives (35%) did not have data (two objectives) or had no trend or negative trends from the objective's FY 2016 target (26 objectives).

PURCHASING RESULTS – RESOURCE ALLOCATION ALIGNMENT WITH THE COUNTYWIDE VISION

Below is the FY 2010 resource budget allocations prioritized and identified by the seven elements of the countywide vision LCI.

1. Education

Education is the County's highest priority. It plays a critical role in determining the quality of life for our citizens. A livable community does not exist unless there is a first-class school system to educate our children. The FY 2010 proposed budget includes $1.6 billion in funding for the Board of Education, a decrease of $61.5 million from the FY 2009 approved budget. County funding totals $585.9 million in FY 2010. State aid to the Board is $916.4 million. Funding for the Board constitutes close to 62.3% 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. The County continues to commit funds to rebuild aging infrastructure since most county schools were constructed before 1970.

2. Public Safety

The FY 2010 proposed 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 $244.3 million, a decrease of almost 5% 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 42 new officers in one 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 Department will receive $109.9 million, a decrease of 2% from FY 2009. These funds will support the core services the agency provides citizens and residents. Additionally, $12.4 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 Corrections' budget for FY 2010 supports the agency's continued commitment to safely house those in their care. Their budget for FY 2010 is $65.0 million, a reduction of more than 6% from FY 2009.

The Office of the Sheriff in FY 2010 receives $31.6 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*, para-transit and other mass transit services to meet the needs of the citizens for flexible, reliable transportation service. The department will continue implementing the Transit Technology Implementation Plan, which includes customer scheduling systems for the Call-A-Bus Program and the installation of an Automatic Vehicle Locator (AVL) system on a segment of vehicles and 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. Moreover, funds are budgeted for the Prince George's African American Museum and Cultural Center at North Brentwood.

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 $613,000 in the FY 2010 proposed 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 Prince George's County.

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. 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 existing 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 by increasing funding for workers' compensation by $5 million, a 23% increase from FY 2009.

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.