

Strategic and Fiscal Policies

This Section includes **STRATEGIC POLICIES** and **FISCAL POLICIES**. Both are critical to the Government's operations to achieve efficient and effective service deliveries while maintaining a strong fiscal stewardship.

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STRATEGIC POLICIES

THE COUNTY GOVERNMENT VISION AND STRATEGIC PLAN

The County Executive has established a vision entitled *Grow Prince George's Pride*, which, together with a mission statement and a set of principles, guides the County Government's services to its residents, businesses and visitors. To help achieve the vision, six key principles and seven priority areas have been identified. Each of these priority areas are supported by multiple county agencies.

Vision – Grow Prince George's Pride

- To attract and retain the most Experienced workforce who will use Innovative technology to provide efficient, effective services to our citizens. We will Collaborate with key stakeholders to develop data-based Solutions that use best-practices to address complex challenges within the county and the region, ensuring that we have a world-class education system, safe communities and a robust economy that creates jobs and opportunities for all and increases the commercial tax base to ensure we can provide the services our residents deserve.

Mission

- Through internal and external partnerships and collaboration, enhance government services to ensure that we are meeting the needs of our citizens, while addressing key areas critical to the long-term success of our county including education reform, crime reduction, robust economic growth that provides jobs and revenue, redevelopment of our inner beltway communities and beautification of our public and green spaces, all of which will help Grow Prince George's Pride.

Principles

- Transparent government that is accountable to those we serve.
- Improve/enhance technology within the government to ensure that services provided to constituents are efficient and effective.

- Education reform that puts the focus back on children, teachers and families to ensure that our learning environments, in and out of the classroom, are conducive to meeting the educational needs of our children.
- Building a robust economy that creates jobs, attracts services that our county needs and increases the commercial tax base, allowing the government to no longer balance our budget on the backs of those we serve.
- Focusing on infrastructure investments such as road improvements, revitalization of inner beltway communities and development around our Metro stations that provides more opportunities for our citizens to live and work here, as well as travel within the county and not just in and out of it.
- Investing in people by providing better access to affordable, preventative healthcare, educating citizens on principles of healthy living and providing more options for treatment of addictions and mental health challenges.

Priorities

- 1 Education
- 2 Crime Reduction/Safe Neighborhoods
- 3 Economic Development
- 4 Quality of Life and Environment
- 5 Transportation and Infrastructure
- 6 Youth Development
- 7 Proficient and Transparent Government

Agency Plans

Agency plans define: (1) how the agency aligns with, and will work on, accomplishing the countywide vision and (2) the agency's intended impact on customers. To accomplish this, each agency has included in its section of this book its mission, core services, goals, objectives and strategy statements. The Strategic Focus was added in FY 2013 to indicate short-term priorities of each

agency based on the organization's overall strategic priorities.

Performance Measures

Performance measures are provided for each objective to illustrate a quantitative picture of the services delivered to customers and their impact. This information is important to evaluate the current status and possible improvements to carry out the countywide vision and agency plans. To accomplish this, performance measures indicate each objective's resources, tasks, services, production, efficiency, quality and impact. Five categories of performance measures provide this information: input (resources), output (workload, demand and production), efficiency (how well resources are utilized given the output), quality (accuracy, timeliness, and customer service) and outcome (impact).

Performance Budgeting

In the countywide strategic plan, agency plans, and performance measures provide a clear strategic direction and a comprehensive quantitative picture of the services the County delivers to our customers. Performance-informed budgeting uses this information to justify and evaluate the allocation of resources and seeks to better match funding with the strategic focus and maximize the utility of limited resources. As a result, the allocation of resources can better facilitate the agency's ability to meet its plan and the countywide vision and its ability to positively impact its customers.

Budget Prioritization

The budget development process requires prioritizing services and programs to ensure limited resources are dedicated to meeting the most important needs of the County. Agencies identify and prioritize each of their services and programs to facilitate decision making. A vetting process occurs first with the Office of Management and Budget and then with the County's leadership team. A collaborative decision-making process takes place when all priorities are considered in the context of current conditions, data trends, emerging priorities and past funding decisions. It is through broad, countywide prioritization of services by leadership, combined with the budget priorities established by each agency, can the

resources be appropriately allocated, and all service areas be better served.

ON-GOING IMPROVEMENT OF THE PERFORMANCE MANAGEMENT SYSTEM

Performance Management is utilized as a tool to facilitate decision making and improve service delivery. The Performance Management System is a comprehensive integrated system, including development of the strategic plan, execution of the plan, constant monitoring and feedbacks, on-going training and constant improvement.

Major elements include:

- Development of organization vision, priorities and goals
- Development of agency mission, goals, priorities, strategies and performance measures
- Development of an annual budget supporting agency strategic plan
- Development of a centralized data warehouse for automatic data collection and analysis for all agency indicators
- Monthly reporting – tracking, analyzing, recommending and communicating
- CountyStat sessions focusing on priority objectives
- Management studies
- On-going training and constant improvement

Major FY 2019 achievements include:

- Enhancing transparency by increasing the number of data sets available through the Open Data Portal;
- Analysis of 311/County Click data to align services with incident location for more efficient service delivery;
- Bi-weekly reports of top customer service requests (CSR);
- Providing training to agencies so they can perform geographic analysis of their service delivery;
- Increased emphasis on strategic planning and performance budgeting in the annual budget development process;

- Update of all data sets on the data web site; and
- Continued deployment of an integrated business process system.

In FY 2020, strategic focuses will include:

- Continued Countywide data collection and analysis;
- Updated analysis of Countywide services;
- Thorough analysis of workflow service level agreements with recommended changes to those agreements;
- Continued implementation of CountyStat sessions;
- Migrate performance data for all agencies to online platform through DataPrinceGeorge's;
- Training and management studies;
- Continued increase of data sets made available on the Open Data Portal;
- Continued deployment of an integrated business process system, provide agencies with performance dashboards; and
- Introduction of economic development data to the Open Data Portal.

FUNDING BY PRIORITY AREA IN SUPPORT OF VISION AND GOALS

The County's budget is a plan to allocate and spend funds in support of achieving the Government's strategic priorities. Each major area of the countywide vision is listed below along with the aligned budget in FY 2020.

1- Education

The FY 2020 proposed budget continues to support our goal of excellent education. The FY 2020 budget includes \$2.09 billion in funding for the Board of Education, an increase of \$44.9 million or 2.2% over the FY 2019 budget. Funding for the Board constitutes 59.8% of all General Fund spending in the FY 2020 budget. The County's contribution represents an increase of \$22.9 million over FY 2019 (from \$763.6 million to \$786.5 million) and exceeds the Maintenance of Effort requirement. The proposed budget supports the allocation of student-based budgeting resources at the school level and maintaining and enhancing effective programs. Those programs

include language immersion programs and international high schools, continued expansion of universal pre-kindergarten, P-Tech Schools, Arts Integration programs, Community Schools, teacher peer assistance and review supports and a Teacher Academy Middle College for students aspiring to become educators. It also supports the mandatory cost of doing business including negotiated employee compensation, benefit commitments and charter school expansion, equipment purchases and an independent graduation audit.

The County will continue to support the William Wirt Middle School Demolition and Replacement effort. It will also make significant investments in the construction of Cherokee Lane ES as well as New Glenridge Area MS #2. Additionally, the County is supporting the Board of Education's new project, Healthy Schools, a staged renovation that addresses significant building modernizations including complex systemic efforts and building improvements. \$1.8 million in PAYGO funds from a portion of the video lottery terminal (VLT) funds are dedicated for repairs, ceiling tile asbestos abatement and replacement, underground storage tank removal and A/C upgrades at various schools in District 8.

In addition, the FY 2020 proposed operating budget includes \$124.4 million for the Community College, a 5.6% increase over the FY 2019 budget. The proposed budget supports the Promise Scholarship which provides free tuition for certain graduates of PGCPs and County residents, one-time academic audiovisual infrastructure and technology upgrade, anticipated salary requirements for employees, creation of several new positions, planning for additional offsite locations and funding needed for new programs and buildings that have come online. In addition, the CIP budget continues construction related to Marlboro Hall renovations and planning for the Largo Student Center Renovations. Queen Anne Academic Center will be complete in 2020 and the Lanham Hall Renovations should closeout in late 2019.

The proposed FY 2020 operating budget for the Memorial Library System is \$32.4 million, an increase of 3.9% above the FY 2019 budget. The proposed budget provides funding for the Books from Birth Program that provides outreach to promote reading at an early age, circulation materials, salary increases and filling vacant

positions. The FY 2020 CIP funds will support the continued construction of the Hyattsville and construction will begin for Surratts-Clinton Branch libraries and various improvement projects. The design and planning phase will continue for the Bladensburg Library replacement.

2- Crime Reduction/Safe Neighborhoods

The County makes a significant investment in FY 2020 to the public safety and court sectors to support various crime reduction initiatives with proposed funding for these agencies increased by \$39.4 million, or 5.2% from the FY 2019 level. Funding to the Police Department supports five recruit classes will add 100 new officers to offset attrition. In addition, the proposed budget allocates \$1.2 million (\$23.4 million to \$24.6 million) in additional overtime and holiday premium pay to support crime reduction initiatives such as stationary posting at the Police Department and fully funds anticipated fringe benefit increases.

The proposed FY 2020 budget for the Fire/EMS Department funds two classes to replace attrition and increase the authorized sworn count by four net positions, \$15.5 million in overtime to support fire protection and emergency services and also increases investments to continue purchasing a second set of Personal Protective Equipment (turnout gear) for 300 more volunteer firefighters as well as support for the daily operations of the volunteer fire commission. The Office of Homeland Security receives further funding to support body worn camera storage costs for the County's public safety agencies, continued maintenance costs for the Records Management System and Motorola contracts, and to maintain all emergency dispatcher positions to support emergency responses.

The Department of Corrections' proposed budget funds two recruit classes of 30 and all sworn and civilian vacancies, \$525,000 to replace and upgrade security and camera systems and \$8,000,000 for overtime.

The Office of the Sheriff's proposed FY 2020 budget supports three new deputy sheriffs for added court security and continued new equipment purchases to support court security needs. The FY 2020 proposed budget for the Circuit Court supports funding for two additional administrative support positions to operate a new court-

house security monitoring center. Funding for the Orphans' Court supports one additional staff person to continue operations that would otherwise be curtailed due to the loss of grant funds. The Office of the State's Attorney's receives funding to support mandatory salary requirements, and additional funds for translation services.

The six-year CIP budget includes FY 2020 funding for: the continued design of the Forensic Lab, completion of the Training/Administrative Headquarters, continued improvement and rehabilitation of various Police Stations, continued construction of the new Hyattsville Fire/EMS station, a new joint public safety facility at the National Harbor, continued planning for the new Oxon Hill Fire/EMS station, construction for the new Shady Glen Fire/EMS Station, continued construction on the correctional center medical unit and detention housing units, continued construction for the Regional Health and Human Services Center, and continued renovations and security improvements of various Court facilities.

3- Economic Development

The success of our County will be measured by the government's ability to grow the local economy. In 2012, the County launched the Economic Development Incentive (EDI) fund with an investment of \$50 million in grants and loans to attract and retain businesses. To date, the County has awarded \$36.5 million in EDI funding for 46 projects. This investment is estimated to have created approximately 7,000 County jobs and retained 5,138 County jobs. So far, EDI funding has leveraged over \$1.1 Billion in private investments and State economic development funds in the County cumulatively. The FY 2020 proposed budget includes \$9 million from this fund to continue investing in the economy.

The County will continue its efforts to grow the residential, commercial and industrial construction economy by creating efficiencies in the permitting and inspections processes. The FY 2020 proposed budget includes funding for 18 additional staff for the Department of Permitting Inspection and Enforcement to manage the Cell tower development, short term rental programs and improve the quality of commercial building inspections.

The proposed budget also supports the Department of Housing and Community Development and the Redevelopment Authority's efforts to focus on expanding access to a broad range of quality housing, promoting and increasing the supply of affordable housing, and enabling families to become self-sufficient. In support of that, the FY 2020 proposed budget contains \$2.6 million from the Housing Investment Trust Fund for two programs - Down Payment and Closing Assistance and the Workforce Housing Gap Financing Program. Additionally, the proposed budget funds the Affirmatively Furthering Fair Housing study, an increase in the County contribution to the Redevelopment Authority and continued operating support for the comprehensive housing strategy plan. An additional \$2.0 million will be transferred to the Redevelopment Authority's capital budget to support the continued redevelopment of the Suitland area.

4-Quality of Life and Environment

In FY 2020, the County continues its investment into various environmental programs to improve the quality of life and support Federal and State mandates. The proposed FY 2020 funding for the Local Watershed Protection and Restoration Enterprise Fund decreases by \$28.2 million or 63.9% under the FY 2019 budget and supports various operating expenses needed to meet Federal and State water quality mandates to improve the health of the Chesapeake Bay. The County also continues its investment in the Stormwater Management District Enterprise Fund in FY 2020 with an increase of \$6.2 million or 10.8% over the FY 2019 budget for stormwater management programs. The CIP includes funding for the Clean Water Partnership.

The Solid Waste Management Enterprise Fund increases by \$3.8 million or 3.7% over the FY 2019 budget. The budget supports recycling, composting, and county beautification efforts. The CIP continues to support operational and facility improvements and repairs, closure and post-closure requirements for Brown Station Road and Sandy Hill landfills and continued design for upgrades and modifications to the existing Leachate Pretreatment Facility as required by the regulatory arm of WSSC.

The FY 2020 proposed budget also includes General Funding for mandated salary requirements for staff,

additional recoveries from the Solid Waste and Stormwater Management Enterprise Funds due to increase compensation, fringe benefit and operating costs and funding to enhance veterinary services and improve maintenance of the Animal Services Facility.

The FY 2020 proposed budget continues to include \$9 million for the Dimensions Health System, including resources for debt service payments for refunded debt. Joint efforts on behalf of the State and the County will ensure financial stability of the system, and plan for the new Regional Medical Center. The six-year CIP includes \$208 million for this new state-of-the-art Regional Medical Center in Largo, constructed as a part of a strategy to transform the County's healthcare system into an efficient, effective and financially viable healthcare delivery system. This will improve the health of residents of Prince George's County and the Southern Maryland region. Planning and construction will continue for the creation of a headquarters building that will co-locate the administrative offices of the Health Department, the Department of Family Services and the Department of Social Services (HHS). The HHS Building will serve as a centralized focal point for the delivery of services to older adults, persons with disabilities, and family caregivers.

In this area, the health and human service agencies continue to restructure their service delivery and administrative structures to correctly align staff with functions and utilize grant funding. These efforts have ensured that there will be no diminution of social services, particularly to our most vulnerable and at-risk populations.

The proposed FY 2020 budget for the Department of Family Services supports the Dementia Friendly Initiative to enhance public awareness, phase II and III of the feasibility study for the Domestic Violence shelter capacity and goods and services for the Veterans' Affairs Office. The staffing complement increases by one position to support the Office of the Director. The department's funding will also support the Family Matters newsletter to announce educational trainings and important resources to help families with daily challenges. Funding continues to support the Disability Training Apprenticeship, Options Counseling, Senior Environmental Assis-

tance and Domestic Violence Human Trafficking programs.

Additional changes in the Health Department reflect mandatory salary requirements for county, state and state special pay staffing. Additional resources in the Health Department support funding for critical departmental technology needs and continuation of the Healthcare Alliance Program to provide care management solutions that help healthcare stakeholders throughout the County and maintaining immigrant community health nurses that would otherwise be lost due to a decline in grant funding, continued support for inspection efforts related to new food establishments including truck hubs and special event inspections.

The Department of Social Services funding will support the Transforming Neighborhood Initiative (TNI @ School) at PGCCPS schools expansion to additional sites in Districts 4 and 9. The expansion will include two additional positions to serve as Community Resource Advocates, wireless telephones, office supplies and operating contracts. This expansion targets at-risk youth based on needs related to attendance, academic performance and a school progress index. In FY 2020, lease cost for the Shepherds Cove, Promise Place, Homeless Youth Services and Hypothermia shelters are realigned to building leases. Funding continues to support the Child Advocacy Center, Maryland Money Market Double Value Coupon, Supplemental Nutrition Assistance (SNAP) to Health Program, Emergency Homelessness and the Child Protection Education Unit.

Through agency appropriations and the discretionary grant programs, the County Government will continue its services to support the elderly, at-risk youth, those with no or substandard health insurance, and many others in need. Additionally, the CIP contains funds for construction of the Prince George's Homeless Shelter to begin in FY 2020.

Finally, the County will continue to provide \$3.5 million in support to the County developmental disability administration (DDA) service providers. Funding for this effort is included in Non-Departmental – Grants and Transfer Payments.

5-Transportation and Infrastructure

The proposed budget includes funding for the Department of Public Works and Transportation to provide for the replacement of fixed route buses and increased support for the operating contract for TheBus; continuation of cash match contributions required for grant-funded programs such as Maryland Bikeways, Transportation Alternatives Program (TAP) and Statewide Special Transportation Assistance Program (SSTAP) as well as tree maintenance and snow and ice removal requirements. Additionally, in FY 2020, \$3.4 million funds from a portion of the video lottery terminal (VLT) funds are dedicated for the maintenance and upgrade of MD 210.

6- Youth Development

In FY 2020 the proposed increased support for the Summer Youth Enrichment Program (SYEP) will enhance the program capacity through County, public and private partnerships. Over 6,000 summer jobs for youth ages 14-22 will be created and an expanded job readiness program largely run by Prince George's Community College will enhance the work environment experience for over 2000 young people.

7-Proficient and Transparent Government

General government agencies as a group experience a \$10.0 million increase in funding (outside of Internal Service Funds) primarily due to, an increase in the transfer from the General Fund to the Information Technology Internal Service Fund to provide resources for additional IT systems support and critical switch replacement; additional staffing in the Legislative Branch to reflect two new at-large Council Members and their direct support staff, funding for previously unfunded vacant positions to support sufficient funding for staffing in the Office of the County Executive to support the transition of the new administration and improvement in the HR system. The proposed budget supports the following initiatives:

- Continuation of the 3-1-1 Call Center, customer service request system to better track all service requests and inform the service delivery process.
- Continued implementation of CountyStat sessions to enhance data-informed, evidence-based decision making.

- Continued support for staffing and software in the Contract Compliance Unit in the Office of the Director in the Office of Central Services.
- Funding for the expansion and transition of the TNI program in to a new Countywide role.
- Continued implementation of the Enterprise Resource Planning (ERP) project to enhance efficiency across functional areas.
- Additional funds for to address a building maintenance backlog.
- Continued maintenance needs (positions and contracts) associated with the County's acquisition of new facilities.
- An additional position to address the larger legislative load in the Office of Law.

FISCAL AND FINANCIAL POLICIES

The financial integrity of the County government is of utmost importance. The financial policies are a key element to maintaining this integrity. These financial management policies are designed to ensure the fiscal stability, provide long-term sustainability, and guide the development and administration of the annual operating and capital budgets, as well as the debt program.

The objectives of these fiscal policies are:

- 1 Fund stable and sustainable public services to citizens and ensure the County's fiscal integrity is maintained.
- 2 Enhance the policy-making ability of the County Executive and County Council by providing accurate, reliable and timely information about County operations to guide important decisions which have significant fiscal impact.
- 3 Set forth operational principles that achieve a structurally balanced budget and maintain the County's AAA bond rating, while minimizing the cost of funding core government services and financial risks.
- 4 Ensure the appropriate use of all County funds through a sound financial system and strong internal controls.
- 5 Employ revenue policies that diversify revenue sources, and expenditure policies that distribute the cost of government services fairly, provide adequate funds to operate desired programs and services, and make effective use of all applicable and appropriate sources of funding.

To meet these objectives, the County's policies are divided into seven general categories. These categories include: 1) Financial Planning Policies, 2) Revenue Policies, 3) Budget Management Policies, 4) Fund Balance Policies, 5) Debt Management Policies, 6) Cash Management/Investment Policies and 7) Financial Reporting Policies.

1. FINANCIAL PLANNING POLICIES

KEEP THE COUNTY IN A STRONG FINANCIAL CONDITION

The County will continue to maintain sound cash and financial management. Several approaches and models are employed to guide the County in this process. These models assist in revealing possible structural imbalances and provide an opportunity to take corrective actions. As a result, the County can further ensure the efficient use of public funds over the long term.

One approach to accomplish this is achieving and maintaining a balanced budget for all funds. 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 payments that year. In addition, the County follows a variety of policies to maintain a healthy balance sheet and to maximize cash management strategies. In balancing the budget, the County considers the nature of the revenues (sustainable, one-time, program specific, etc.) and the anticipated spending needs of the program or activity in the out-years.

LONG-RANGE FINANCIAL PLANNING

The County implements its long-range financial planning policies using two methods – (1) the legislative approval of its six-year capital improvement program (CIP) budget and (2) internal financial forecasting and modeling. These practices are essential to plan for potential liabilities early and allocate resources accordingly. This ensures that County policies and/or decisions do not lead to unexpected financial burdens and measures the fiscal impact of present day decisions on long-term outcomes. The County plans to strengthen its multi-year fiscal planning in FY 2020 to maintain its long-term financial sustainability.

1 Capital Improvement Program

The County develops and adopts a six-year CIP each year. This plan is proposed by the County Council through the annual budget adoption process.

2 Internal Financial Forecasting and Modeling

Various forecasting and debt models are used during the County's planning process. These models include six-year revenue, expenditure, and fund balance projections for the general fund, and 30-year debt affordability models. These models are typically updated twice a year and as needed. They take into consideration several critical factors, including national and local economic outlook data, anticipated changes in federal, State and local laws and policies, and long-term governmental obligations. Assumptions include anticipated cost of living and merit increases for employees, maintaining adequate staffing levels across the government, rising health care expenses for active and retired employees, capital spending, risk management, pension and other long-term debt obligations.

INTERNAL SERVICE AND ENTERPRISE FUNDS

The goal for internal service and enterprise funds is to provide certain services at rates that ensure self-sufficiency. An annual review of all programs that operate on an internal and enterprise fund basis is prepared to ensure charges are not burdensome to the public or users and revenues continue in a self-supporting nature.

2. REVENUE POLICIES

DIVERSIFY REVENUES

The County strives to broaden revenue bases and seek alternative revenues to fund programs and services. This mitigates our vulnerability to reductions in programs and services due to economic downturns and decreases our dependence on general taxes for government operations. This policy has become more important in recent years as the State continues to shift costs to local governments.

It is important to note that the County's ability to raise taxes is limited by a 1978 amendment to Section 817, Article VIII of the Prince George's County Charter. The amendment referred to as Tax Reform Initiative by Marylanders (TRIM) limits the County's ability to raise the property tax rate. However, the County is authorized to increase property tax rates based on Chapter 6 of the 2012 Laws of Maryland (Senate Bill 848). This law allows the County's real and personal property tax rates to be set higher than the rate authorized under the County's charter. The bill requires that any additional revenue generated because of the higher property tax rate is for the sole purpose of funding the proposed budget of the local school system. In FY 2016, the real property tax rate was increased \$0.04 to \$1.00 per \$100 of assessable value. Additionally, the personal property tax rate rose \$0.10 to \$2.50 per \$100 of assessable value. All additional revenues generated from the tax rate increases are dedicated to the Board of Education. The increased property tax rates remain in FY 2020.

Due to the restriction of raising property tax rates only for education, it is essential for the County to seek other revenue sources and maintain an adequate level of fund balance to guard against financial uncertainties and risks.

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 expenditures. 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 sec-

tor 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 resources are allocated primarily to non-recurring expenditure items to ensure financial stability.

REVIEW USER FEES AND GRANT FUNDS

The County completes an annual review of all user fees and charges to determine the extent to which the full cost of services is being recovered. The approval of changes to existing fees and new fees are proposed as part of the annual budget process.

Grant funds are utilized to leverage County funds to supplement current programs and services. Inconsistent and/or fluctuating grants are not to be used to fund ongoing programs. Programs financed with grant funds are primarily budgeted in Special Revenue funds. Programs are adjusted to reflect the level of funding available.

ASSESS THE APPROPRIATENESS OF GRANT-FUNDED PROGRAMS

Grant programs are often seen as ways to implement programs that are fully or mostly paid by other entities, usually the State or federal governments. However, some grant programs have limited life spans that require the County to pay for the full cost in subsequent years. The County will continue to implement only those grant-supported programs that balance important public services without unnecessary or unsustainable commitments of County funds in future years.

3. BUDGET MANAGEMENT POLICIES

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 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 and allows the government to take needed fiscal actions in a timely manner.

MONITOR FRINGE BENEFIT COSTS

County fringe benefit costs have been increasing, especially in the categories of pension and health insurance. As part of the effort to curtail health insurance costs, the County implemented mandatory prescription drug mail order and adjusted employee co-payments for generic prescription drugs in 2008. Additionally, several steps have been made to address growing pension costs over recent years, including increasing employee contribution rates and vesting timeframe, modifying the retirement eligibility and establishing benefit caps. Additional measures will be explored in future collective bargaining negotiations.

Prudent fiscal management requires awareness of the forces effecting changes in the pension funds so that current and future liabilities can be met. The County strives to maintain a balance between providing quality health-care benefits while also considering measures to control costs and limit future cost escalation.

CONTINUE RISK MANAGEMENT FUNDING

Risk management costs have been increasing in recent years. The County's risk management strategy includes

maintaining annual funding at or above the annual payments out of the risk management fund.

BUDGET FOR LONG-TERM LIABILITIES

The County continues to contribute more funding than the annual PAYGO amount to retiree health benefits to meet the Governmental Accounting Standards Board (GASB) requirement and to gradually address the long-term funding of Other Post Employment Benefits (OPEB) liabilities.

4. FUND BALANCE POLICIES

MAINTAIN A GENERAL FUND CONTINGENCY RESERVE (COMMITTED 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 contingency reserve was \$163.5 million at the end of FY 2018, and is projected to be \$170.9 million in FY 2019, and \$176.8 million in FY 2020.

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 un-appropriated funds that can be used to offset the impact of one-time budget emergencies if a plan exists to replenish the reserves. The operating reserve was \$65.4 million at the end of FY 2018 and is projected to be \$68.4 million in FY 2019, and \$70.7 million in FY 2020.

UNASSIGNED FUND BALANCE

The County has an unassigned fund balance created by a combination of effective expenditure controls and higher-than-expected revenues during periods of strong economic growth from the last decade. This amount was \$230.0 million at the end of FY 2018. It is expected to be \$195.5 million in FY 2019 and \$153.7 million in FY 2020. In recent years, the County mitigated the combined impact of slower than normal growth of revenues due to the economic downturn and ongoing, non-discretionary expenditure needs by prudently using some undesignated fund balance both to provide one-time PAYGO funding for capital projects and to address fiscal challenges.

The fiscal challenge will likely remain in the near future as the moderate revenue recovery continues to not keep up with expenditure growth driven by collective bargaining agreements, fringe benefit cost increases, unfunded State mandates, and service needs. The County is in the process of taking corrective fiscal actions and developing multi-year strategies to protect its fund balance and restore balance between revenues and expenditures.

MAINTAIN FUND BALANCE RESERVES IN OTHER FUNDS

Several 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. For example, the Stormwater Management Enterprise Fund 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, the County policy calls for maintaining adequate reserve levels in each fund group, as well as making needed expenditure reductions to restore a structural balance. The County also strives to maintain a positive fund balance in all special revenue funds.

5. DEBT MANAGEMENT POLICIES

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 below 2%. Based on the State law, the County's debt limit at the end of FY 2017 was \$5.7 billion. The County's outstanding debt was \$898.0 million, leaving a legal debt margin of \$4.8 billion.

While the current debt level is well below the statutory ceiling, the County adopts a more restrictive internal policy that requires that the ratio of debt service to County source revenues not exceed 8%. The ratio was 5.1% in FY 2015 and 5.3% in FY 2016. The scheduled use of bond premiums will continue to help mitigate the overall growth of debt services and kept the debt service to County source revenue ratio at 5.5% in FY 2017 and 5.7% in FY 2018. However, debt level needs to be monitored closely in coming years as debt service payments are projected to pick up in the foreseeable future due to anticipated new debt to fund CIP projects and the expiration of one-time resources in out years. The County also follows a strategy of retiring debt rapidly to mitigate debt obligations in future years and refinancing existing debt where applicable to generate savings. The anticipated bond sales in FY 2019 and FY 2020 will be conducted in accordance with the County's debt policies.

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 school surcharge, telecommunications tax and PAYGO capital revenues in its future CIP programs. Budgeting PAYGO funds annually helps lower long-term debt burdens and allows the County to follow best practices recommended by bond rating agencies. The FY 2017 budget included \$8.9 million in PAYGO funds. The FY 2017 proposed budget included \$8.9 million in PAYGO funds for

the Redevelopment Authority (\$3.65 million), upgrades for MD 210 (\$3.0 million) and for certain Board of Education CIP projects (\$2.25 million). The FY 2018 approved budget included \$6.5 million in PAYGO funds for the Redevelopment Authority (\$2.0 million), MD 210 (\$2.8 million), Board of Education projects (\$769,600) and DPW&T projects (\$930,000). The FY 2019 approved budget includes \$32.0 million in PAYGO funds for the transfer to the Purple Line (\$20.0 million), Redevelopment Authority (\$6.5 million), Maryland 210 Improvements (\$2.7 million), Board of Education projects (\$1.8 million) and the United States Citizenship and Immigration Services (USCIS) project at Branch Avenue Metro Station (\$1.1 million).

For FY 2020 the proposed budget includes \$27.2 million of PAYGO funds for the transfer to the Purple Line (\$20.0 million), Redevelopment Authority (\$2.0 million), Maryland 210 Improvements (\$3.4 million) and Board of Education (\$1.8 million).

6. CASH MANAGEMENT/INVESTMENT POLICIES

MAINTAIN SOUND INVESTMENT MANGEMENT POLICY

The County Council adopted its investment policy in September 1995 (CR-52-1995). The local policy was subsequently amended in September 1998 and February 2006 due to changes in the Maryland State law.

The policy applies to the investment of all unexpended or surplus funds of the County. These funds are accounted for in the County's Comprehensive Annual Financial Report and include the general fund, special revenue funds, capital project funds, enterprise funds, debt service funds, internal service funds, trust and agency funds. The policy does not cover the investment activities of pension funds. The funds are administered by separate trustees.

The primary objectives for the management of County funds are to (a) protect investment principal in the overall portfolio, (b) ensure sufficient liquidity to meet all cash flow requirements which might be reasonably anticipated and (c) maximize investment return consistent with risk limitations and prudent investment policies.

These objectives are met by implementing the following policies:

- 1 The County's investment officials shall use the "prudent person" standard in the context of managing an overall portfolio, considering the probable safety of their capital as well as the probable income to be derived.
- 2 The investment officials involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions.
- 3 The County will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, authorized pools and money market funds, no more than 50% of the County's total investment portfolio will be invested in a single security type or with a single financial institution.
- 4 To the extent possible, the County will attempt to match investments with anticipated cash flow requirements. The County will not directly invest in securities maturing more than one year from the date of purchase, except for the investment of bond proceeds which may be invested up to three years.
- 5 Regarding suitable investments, the County's investments will conform without exception to Article 95, Section 22 and Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland.
- 6 The County will maintain a system of adequate internal controls to be compliant with the investment program policy and procedures.
- 7 The County will hold periodic investment strategy meetings with officials and document the resulting investment strategy proposed to meet the policy.

7. FINANCIAL REPORTING POLICIES

The County's accounting and financial reporting systems will be maintained in conformance with all State and federal laws, generally accepted accounting principles

(GAAP) and standards of the GASB and the Government Finance Officers Association (GFOA). Each year, an independent accounting firm performs an annual audit and issues an audit opinion that is included in the County's published Comprehensive Annual Financial Report (CAFR). The County aims to achieve an unqualified audit opinion, meaning that the financial records and statement are fairly and appropriately presented. The County Government's FY 2018 CAFR received an unqualified audit opinion.

The County's CAFR is submitted to the GFOA Certification of Achievement in Excellence in Financial Reporting Program annually. The financial report should be in conformity with finance related legal and contractual provisions, disclose thoroughness and detail sufficiency, and minimize ambiguities and potentials for misleading inferences. It is important to note that the County has been participating in GFOA's Certification of Achievement in Excellence in Financial Reporting Program and Distinguished Budget Presentation programs for over 20 years.

The County's budget is submitted to GFOA Distinguished Budget Presentation Program annually. The budget should satisfy criteria as a financial and programming policy document, as a comprehensive financial plan, as an operation's guide for all organizational units, and as a communication device for all significant budgetary issues, trends and resource choices. The County's budget has received the GFOA's Distinguished Budget Presentation Award for many years. Moreover, its FY 2015 budget received a special recognition from GFOA for its performance measures, making the County the only government in Maryland and in DC metropolitan areas that received this special recognition that year.

Financial systems will maintain and enhance internal controls to monitor revenues, expenditures and program performance on an ongoing basis. In FY 2020, bimonthly financial reports will continue to be provided to elected officials and senior management with the implementation of the new ERP system to help make immediate budget and policy adjustments where needed.