

# 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

Our proud priorities represent the County Executive's approach to governing built on the foundation of data driven performance that inspires collaboration and is transparent and results oriented.

We know that with our budget, there are limitations to what we can fund in a given year; but the reason we will maintain a AAA bond rating on a \$4.6 billion budget, is because we make intentional and focused decisions that will positively impact the lives of Prince Georgians.

#### Vision – Prince George's Proud

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 our stakeholders to develop Solutions that are data-based and rely on best-practices to address complex challenges within the county and the region. We will have a world-class education system, safe communities and a robust economy that creates jobs and opportunities for all and increase the commercial tax base to ensure we can provide the services our residents deserve.

#### Mission

- Through internal and external partnerships and collaboration, we will enhance government services to ensure that we are meeting or exceeding the needs of our residents, visitors and businesses. We will strategically implement initiatives within the six Policy Focus Areas critical to the long-term success of our county and demonstrating we are Prince George's Proud.

#### 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. Safe Neighborhoods
3. Economic Development
4. Healthy Communities
5. Quality of Life Supported by High Performance Government
6. Youth Development

#### 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

Major FY 2021 achievements include:

- Revisited every participating agency's Performance Plan, updating and making revisions as appropriate;
- Streamlined and simplified agency Performance Plan presentations to focus on the 27 Key Performance Indicators;
- 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 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 2022, strategic focuses will include:

- Consistently review the Key Performance Indicators of the Proud Priority, Proud Results strategic plan.
- Perform CountyStat sessions on the top initiatives for transparency and accountability.
- Continued countywide data collection and analysis;
- Updated analysis of Countywide services;
- Thorough analysis of workflow service level agreements with recommended changes to those agreements;
- Training and management studies;
- Continued deployment of an integrated business process system, provide agencies with performance dashboards; and
- Introduction of new agency data performance on-line dashboard.

## 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 Policy Focus Areas. Each major area of the countywide vision is listed below along with the aligned budget in FY 2022.

### 1 – Education

The FY 2022 proposed budget continues to support our goal of excellent education. The FY 2022 budget includes \$2.34 billion in funding for the Board of Education, an increase of \$64.4 million or 2.8% over the FY 2021 budget. Funding for the Board constitutes 62.0% of all General Fund spending in the FY 2022 budget. The County's contribution represents an increase of \$500,000 over FY 2021 (from \$815.8 million to \$816.3 million) and exceeds the Maintenance of Effort requirement. The proposed budget includes employee compensation negotiated commitments; pass through funding for P3/Alternative Construction Financing

projects; additional support of 65 Community Schools through hiring Community Schools Clinicians; health insurance increases; continued support of universal pre-kindergarten; program continuation of Immersion as well as the reallocation of resources due to anticipated savings derived from salary lapse, delaying planned leased purchase prepayment and a decrease in certain restricted grants.

The FY 2022 proposed capital budget contains County funding in support of systemic repairs to schools in need of roofs, boilers, windows, piping, HVAC and elevators along with construction is planned to continue for New Glenridge Area MS and be completed for Cherokee Lane ES. The Board of Education also has a public-private partnership (P3) to support construction of new schools.

In addition, the FY 2022 proposed budget includes \$119.1 million for the Community College, a \$13.6 million or 10.2% decrease under the FY 2021 budget. The proposed budget supports the College's strategic efforts toward operational efficiency, Student Lifecycle services, full implementation of the Pathways program, campus-wide technology upgrades and the Promise Scholarship Program which provides free tuition for graduates of County Public Schools and County residents. The CIP budget includes funding to support construction related to Marlboro Hall renovations, design for the Largo Student Center Renovations and the request for proposal for Bladen Hall renovations. The CIP budget continues to support area improvements under the College Improvements project which will include replacing mechanical, life safety, environmental temperature building controls, roofs, carpet, signage, lighting, roadways/parking lots and upgrades to interior spaces.

The proposed FY 2022 operating budget for the Memorial Library System is \$32.9 million, a decrease of \$850,100 or 2.5% under the FY 2021 budget. Operating funds are provided for technology upgrades that will provide internet to Library's parking lots as well as two new delivery vehicles and a replacement maintenance truck. The FY 2022 CIP funds will support the completion of the Surratts-Clinton Branch library and various improvement projects. Construction will also continue for the Bladensburg Library replacement as well as improvements to ensure compliance with the ADA.

## 2 – Safe Neighborhoods

Prince George’s County remains committed to providing safe communities for citizens, residents and visitors. The FY 2022 budget continues to support various crime prevention reduction initiatives, technology to improve responsiveness and safety and recruit classes to maintain our sworn ranks. The FY 2022 proposed budget funding totals \$745.7 million, a decrease of \$21.5 million, or 2.8%, under the FY 2021 budget. Funding to the Police Department supports three new positions, a Director of Race & Equity to support outreach and two Psychologists to provide mental health services to officers.

The proposed FY 2022 budget for the Fire/EMS Department includes one class (totaling 27) funded through the Staffing for Adequate Fire and Emergency Response (SAFER) grant. Funding also supports the conversion of 27 SAFER firefighters into the General Fund budget. Additional investments include support for Volunteer Fire Companies insurance coverage for fire apparatus, funding for career uniforms, and advanced life support (ALS) equipment replacement. The Office of Homeland Security receives funding to support the implementation of preparedness, mitigation, response and recovery efforts through increased staffing and emergency management accreditation for the new Continuity of Operations Plans as recommended by the Prince George’s Forward Task Force.

The Department of Corrections’ proposed budget funds one recruitment class of 20 new officers to the department and supports inmate food, transportation and medical service contracts. There is additional funding allocated for reentry services and behavioral health services for inmates.

The FY 2022 proposed budget for the Circuit Court includes funding for a new Information Technology Engineer at the Command Center. The Office of the Sheriff’s budget supports efforts to reduce outstanding warrants, with a focus on violent criminals and reduce repeat domestic violence calls. Funding for the Orphans’ Court supports an increase in their budget to support technology upgrades for virtual court hearings. The Office of the State’s Attorney’s receives funding to support diversion programming opportunities for the emerging adult population of non-violent and vulnerable offenders.

The six-year CIP budget includes FY 2022 funding for: the continued construction of the Forensic Lab, continued improvement and rehabilitation of various Police Stations, renovations and roof replacements for various fire stations, continued construction on the correctional center medical unit and detention housing units. Funding is also included for various courthouse renovation projects and the design phase of the James H. Taylor Innovative Academy.

## 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 conditional and conventional loans to attract and retain businesses. During the COVID-19 economic recovery, the County has administered \$20.1 million in for the Business Recovery Initiative, \$2 million for the Childcare Initiative, \$6.1 million for the Restaurant Resiliency Initiative, and other programs and outreach. The EDI secured Last Mile Centers for Amazon which will bring 800 jobs. So far, EDI funding has leveraged over \$1.24 billion in private investments and State economic development funds in the County cumulatively. The FY 2022 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 2022 proposed budget includes funding for contracts for third-party plan reviewers, on-line applications maintenance for current system modules and additional permitting, inspections and site road modules for the Permitting and Licensing System 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 2022 proposed budget contains \$4.2 million from the Housing Investment Trust Fund for the

Workforce Housing Gap Financing Program. Additionally, the proposed budget funds the Housing Opportunities for All Workgroup and continued operating support for the comprehensive housing strategy plan. An additional \$2 million will be transferred to the Redevelopment Authority's capital budget to support the Glenarden Apartments Redevelopment.

#### **4 – Healthy Communities**

The FY 2022 proposed budget continues to include \$4.3 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. This spring, the County will open the state-of-the-art University of Maryland Capital Region 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 2022 budget for the Department of Family Services continues to support increased access to intervention programs and services for at-risk youth and families via the administration of disconnected youth, childhood hunger and home visiting programs. Funding continues to support the Disability Training Apprenticeship, Options Counseling, Senior Environmental Assistance and Domestic Violence Human Trafficking programs. Funding in the Health Department supports new positions including three registered nurses for the Immunization Program; two disease control

specialists for the Communicable Disease Program; one safety officer; one auditor to review contracts and three system analysts for the Electronic Health Record and Health Information Technology systems. Funding also supports office automation and the Early Childhood Consultant for the Child-Friendly County Campaign.

The Department of Social Services general and grant funding will continue to support the Community Schools Network in partnership with Prince George's County Public Schools. This program targets at-risk youth based on needs related to attendance, academic performance and a school progress index. In FY 2022, funding for accreditation renewal and travel for site reviewers is added. 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 the continued planning of the Prince George's Homeless Shelter to be completed in FY 2024.

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 – Quality of Life Supported by High Performance Government**

In FY 2022, the County continues its investment into various environmental programs to improve the quality of life and support Federal and State mandates. The proposed FY 2022 funding for the Local Watershed Protection and Restoration Enterprise Fund totals \$21.2 million and increases by \$3.9 million or 22.7% over the FY 2021 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 2022 (\$87.4 million total for DOE and DPW&T components) with an increase of \$4.7 million or 5.7% over the FY 2021 budget for stormwater management

programs. The CIP includes funding for the Clean Water Partnership.

The Solid Waste Management Enterprise Fund totals \$107.5 million and decreases by \$860,300 or 0.8% under the FY 2021 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 2022 proposed budget also includes General Fund resources for additional recoveries from the Solid Waste and Stormwater Management Enterprise Funds due to increased operating costs and funding to enhance veterinary services and improve maintenance of the Animal Services Facility.

The proposed budget includes funding for the Department of Public Works and Transportation to provide for new bus purchases delayed from FY 2021 to FY 2022 and expanded transit bus service. Additional funding is included for snow and ice control contractual services and the development of Vision Zero action plan to reduce fatal and serious injury crashes to zero by 2040 which are offset by a reduction in grant cash match requirements.

## 6 – Youth Development

In FY 2022, the proposed budget includes \$1 million to support the Summer Youth Enrichment Program (SYEP). The program capacity is normally facilitated through County, public and private partnerships and provides summer jobs for youth ages 14-22 and a job readiness program largely run by Prince George's Community College.

## General Government Changes

General government agencies as a group experience a \$3.1 million decrease in funding (outside of Internal Service Funds) primarily due to, salary adjustments and anticipated attrition, a reduction in overtime, an increase in recoveries from other funds and a decrease in general administrative and operational costs. The proposed budget supports the following initiatives:

- Continued administration of the County's electronic filing/case management system that allows 24/7/365 access to on-line filings of complaints, financial disclosure statements and lobbyist registrations.
- Transitioning to a new tax billing and collection system for revenue collections and improved customer access.
- Continued maintenance and sustainability of the newly established PGC311 customer relationship management system.
- Reduce acts of discrimination within the County to positively impact economic development.
- Preparation for the 2022 Gubernatorial Primary Election.
- Implement a new performance management dashboard solution (OpenGov) for the County Executive.
- Increase the percentage of Prince George's County residents registered to vote in all election cycles.

## 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 2022 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 approved 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 approved 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 2022.

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 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 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 approved 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 time frame, 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 healthcare 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 (RESTRICTED 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 \$182.1 million at the end of FY 2020 and is projected to be \$185.2 million in FY 2021, and \$186.4 million in FY 2022.

### **MAINTAIN A GENERAL FUND OPERATING RESERVE (COMMITTED 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 \$72.8 million at the end of FY 2020 and is projected to be \$74.1 million in FY 2021, and \$74.6 million in FY 2022.

### **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 \$176.2 million at the end of FY 2020. It is expected to be \$111.2 million in FY 2021 and \$60.3 million in FY 2022. 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 un-designated 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%. The County's outstanding debt was \$1.5 billion, leaving a legal debt margin of \$5.1 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 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 2022 and FY 2023 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 2020 approved budget included \$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). The FY 2021 approved budget included \$937,300 of PAYGO funds (a decrease of \$29.9 million from FY 2020) for the Glenarden Apartments Redevelopment, Addison Capitol Heights Metro, Cheverly Redevelopment and Pepco/Forestville projects.

For FY 2022 the proposed budget includes \$8.5 million of PAYGO funds (an increase of \$7.6 million from FY 2021) for the Glenarden Apartments Redevelopment (\$2.0 million), Board of Education projects (\$2.5 million) and Maryland 210 improvements (\$4.0 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 approved 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 2019 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 2022 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.