

# 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 \$4.5 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
- On-going training and constant improvement

Major FY 2020 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 2021, strategic focuses will include:

- Develop work plans for each key initiative under the Proud Priority ~ Proud Results.
- Perform CountyStat sessions on the top initiatives for transparency and accountability.
- Create dashboards to place on the County's website for real time updates.
- Continued countywide data collection and analysis;
- Updated analysis of countywide services;
- Thorough analysis of workflow service level agreements with recommended changes to those agreements;
- 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 Policy Focus Areas. Each major area of the countywide vision is listed below along with the aligned budget in FY 2021.

### The Impact of COVID-19 Pandemic

The COVID-19 pandemic has had devastating impact on the County economy and revenues which results in the FY 2021 approved operating budget with dramatically scale back expenditures. The approved General Fund appropriation for FY 2021 is \$101.4 million less than the FY 2021 proposed budget to align with the reduced revenue projections. The reductions in the expenditure funding below are largely driven by a reduction in compensation and fringe benefit costs based on the removal of salary adjustments, increased attrition and reduced funding for vacant positions; a reduction in the County contributions to the Board of Education, Community College and Library; and reduction in Non-Departmental transfers to certain capital improvement projects, special revenue funds, quasi-agencies, local grant fund initiatives along with a reduction of funding for the Summer Youth Employment Program.

#### 1 – Education

The FY 2021 approved budget continues to support our goal of excellent education. The FY 2021 budget includes \$2.28 billion in funding for the Board of Education, an increase of \$95.0 million or 4.4% over the FY 2020 budget. Funding for the Board constitutes 61.3% of all General Fund spending in the FY 2021 budget. The County's contribution represents an increase of \$29.3 million over FY 2020 (from \$786.5 million to \$815.8 million) and exceeds the Maintenance of Effort requirement. The approved budget includes employee compensation negotiated commitments; the allocation of student-based budgeting resources; charter school expansion; additional Special Education-Non-Public placement tuition costs due to increase in placements and federal requirements; health insurance increases; continued support of universal pre-kindergarten; program continuation of Immersion and P-Tech Schools and other academic programs as well as the reallocation of resources due to anticipated savings derived from salary lapse and office restructuring.

- The FY 2021 approved 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.

- In addition, the FY 2021 approved operating budget includes \$132.7 million for the Community College, a \$8.0 million or 6.4% increase over the FY 2020 budget. The approved 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. In addition, the CIP budget continues construction related to Marlboro Hall renovations, planning for the Largo Student Center Renovations and 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 approved FY 2021 operating budget for the Memorial Library System is \$33.7 million, an increase of \$540,300 or 1.6% above the FY 2020 budget. The approved budget provides funding for \$3.5 million for circulating materials, of which over \$272,300 is earmarked for the Books From Birth Program, maintaining Sunday hours at seven branches, and anticipated salary adjustment requirements for employees. The FY 2021 CIP funds will support the continued construction of the Hyattsville and Surratts-Clinton Branch libraries 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

Due to the impact of the COVID-19 pandemic, the County is slowing down its investment in FY 2021 to the public safety and court sectors but still supports various crime reduction initiatives with approved funding for these agencies decreased by \$8.3 million, or 1.0% from the FY 2020 level. Funding to the Police Department supports two recruit classes but with increased attrition and reduced funding for vacant positions. In addition, the approved budget allocates \$28.6 million in overtime and

holiday premium pay to support crime reduction initiatives such as stationary posting at the Police Department.

The approved FY 2021 budget for the Fire/EMS Department funds one class (totaling 40) in June, \$22.0 million in overtime to support fire protection and emergency services (an increase of \$4.9 million over FY 2020) and increase in fringe benefit costs to align with mandated requirements for salaries and the cash match for the Staffing for Adequate Fire and Emergency Response (SAFER) grant. Additional investments include support for Volunteer Fire Companies insurance coverage for fire apparatus, funding for career uniforms, advanced life support (ALS) equipment replacement, funding for an Operational Efficiency Study-Strategic Plan and purchasing a second set of Personal Protective Equipment (turnout gear) and bomb suits. The Office of Homeland Security receives \$2.6 million in further funding to support body worn cameras and storage and licensing fees for all Police Department patrol officers, 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' approved budget funds recruits and all sworn vacancies. The approved budget also supports increases in inmate food, transportation and medical service contracts and \$8.0 million for overtime.

The FY 2021 budgets for the Circuit Court and the Office of the Sheriff's approved FY 2021 budget maintain current staffing requirements with increased attrition. Funding for the Orphans' Court supports membership fees to reduce out of pocket expenses for Judges. The Office of the State's Attorney's receives funding to support staff retention adjustments and additional funds for translation services.

The six-year CIP budget includes FY 2021 funding for: continued construction of the Driver Training & Gun Range, the continued construction of the Forensic Lab, continued improvement and rehabilitation of various Police Stations, continued construction of the new Hyattsville Fire/EMS station, continued construction for

the new Oxon Hill Fire/EMS station, continued construction for the new Shady Glen Fire/EMS Station, continued construction on the correctional center medical unit and detention housing units 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 conditional and conventional loans to attract and retain businesses. To date, the County has awarded \$41.1 million in EDI funding for 52 projects. This investment is estimated to have created approximately 7,600 County jobs and retained 5,444 County jobs. So far, EDI funding has leveraged over \$1.18 Billion in private investments and State economic development funds in the County cumulatively. The FY 2021 approved 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 2021 approved budget includes funding for mandatory salary and fringe requirements and an increase in hosting subscription services 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 approved 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 2021 approved budget contains \$5.0 million from the Housing Investment Trust Fund for two programs - Down Payment and Closing Assistance and the Workforce Housing Gap Financing Program. Additionally, the approved budget funds the Housing

Opportunities for All Workgroup and continued operating support for the comprehensive housing strategy plan. An additional \$937,300 will be transferred to the Redevelopment Authority's capital budget to support the Glenarden Apartments Redevelopment (\$351,300), Addison Road (\$500,000), Cheverly Development (\$61,000) and Pepco/Forestville Project (\$25,000).

### 4 – Healthy Communities

The FY 2021 approved budget continues to include \$5 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 approved FY 2021 budget for the Department of Family Services supports a new limited hour Community Developer to support the Office of Veteran Affairs and an Older Prince Georgians comprehensive needs assessment. Funding continues to support the Disability Training Apprenticeship, Options Counseling, Senior Environmental Assistance and Domestic Violence Human

Trafficking programs. Additional changes in the Health Department reflect support for Electronic Records system and consulting support for the Child-Friendly 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 2021, funding for consultant services is added for the Food Equity Council and the Food Insecurity Taskforce. 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 be completed in FY 2021.

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 2021, the County continues its investment into various environmental programs to improve the quality of life and support Federal and State mandates. The approved FY 2021 funding for the Local Watershed Protection and Restoration Enterprise Fund totals \$17.3 million and increases by \$1.4 million or 8.5% over the FY 2020 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 2021 (\$82.8 million total for DOE and DPW&T

components) with an increase of \$3.3 million or 4.2% over the FY 2020 budget for stormwater management programs. The CIP includes funding for the Clean Water Partnership.

The Solid Waste Management Enterprise Fund totals \$108.3 million and increases by \$1.7 million or 1.6% over the FY 2020 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 2021 approved 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 approved budget includes funding for the Department of Public Works and Transportation to provide for new bus purchases delayed from FY 2020 to FY 2021, prior year salary adjustments and reduced attrition, an increase in diesel fuel charges due to change in per gallon price and expanded Saturday bus service, additional funding 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. New grant funding supports the purchase of electric buses and charging stations as replacement busts for the County's aging fleet.

## **6 – Youth Development**

In FY 2021, the approved budget includes \$1 million to support for 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 \$2.0 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 laptop refresh; five Service Aides for student internships in the Office of the County Executive; an increase in technology allocation charges for the Office of Finance; and administration and improvement in the HR system. The approved budget supports the following initiatives:

- Continuation of the 3-1-1 Call Center, a new customer service request system to better track all service requests and inform the service delivery process and funding to support contractual needs for immigration legal defense and language access services.
- Continued implementation of CountyStat sessions to enhance data-informed, evidence-based decision making.
- Continued support for the electronic procurement management system in the Office of the Director in the Office of Central Services.
- Continued implementation and maintenance of the Enterprise Resource Planning (ERP) project to enhance efficiency across functional areas.
- Continued maintenance needs (positions and contracts) associated with the County's acquisition of new facilities.

## 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 2021 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 2021.

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 \$172.1 million at the end of FY 2019 and is projected to be \$179.5 million in FY 2020, and \$185.7 million in FY 2021.

#### **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 \$68.9 million at the end of FY 2019 and is projected to be \$71.8 million in FY 2020, and \$74.3 million in FY 2021.

#### **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 \$235.6 million at the end of FY 2019. It is expected to be \$162.8 million in FY 2020 and \$90.4 million in FY 2021. 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%. The County's outstanding debt was \$1.5 billion, 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, 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 2020 and FY 2021 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 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). 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).

For FY 2021 the approved budget includes \$937,300 of PAYGO funds (a decrease of \$29.9 million from FY 2020) for the Glenarden Apartment Redevelopment, Addison Capitol Heights Metro, Cheverly Redevelopment and Pepco/Forestville projects.

## 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 2021, 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.