



Rushern L. Baker, III  
County Executive

# PRINCE GEORGE'S COUNTY GOVERNMENT

## OFFICE OF THE COUNTY EXECUTIVE

July 1, 2014

To the Citizens, Residents and Businesses of Prince George's County:

I am pleased to present the approved operating and capital budgets for FY 2015.

It has been an extreme honor and privilege to serve the residents and citizens of Prince George's County alongside the Prince George's County Council for the past four years. During this time, we have made significant progress in transforming our great County. Prince George's County has quickly become the "place to be" in the Washington, DC Region.

There are many successes we can highlight. We have made our communities and neighborhoods safer. Our homicide rate has dropped by over 40% in three years, and crime is down by 30%. These historic lows would not be possible without the collaboration, hard work, and teamwork of the Police Department, Sheriff's Department, State's Attorney's Office, Department of Corrections, Federal and State partners, as well as the support of the County Council.

We have been able to grow our economy by expanding our commercial tax base and creating jobs. I am proud that we have nearly \$5 billion in economic development in the pipeline and on the horizon, including the \$1 billion MGM Casino/Resort at National Harbor, the relocation of the Maryland Department of Housing and Community Development to New Carrollton, the new Town Center at Laurel, the \$650 million Regional Medical Center at Largo Town Center, the Whole Foods project in Riverdale Park, the Town Center at Camp Springs project at Branch Avenue Metro Station, plus numerous investments in the Arts District from Mount Rainier to Hyattsville. Just over the horizon, we hope to land the new Federal Bureau of Investigation (FBI) headquarters at the Greenbelt Metro Station.

Through collaboration with the County Council, we have strengthened our government by making it more accountable to our citizens. We have created a government more focused on customer service, a government that is more open and transparent, and a government with more safeguards from unethical behavior. We now offer *CountyClick/311* to our citizens, allowing them a more efficient way of communicating with us. We have a searchable Website related to County spending. We created an Office of Ethics and Accountability to provide oversight of County government and lobbyists. We also have a thriving *CountyStat* program that consistently monitors our performance and identifies ways that we can improve operations with greater efficiencies.

Additionally, our Transforming Neighborhoods Initiative (TNI) has been effective in the transformation of six (6) targeted areas by removing blight, attracting jobs, enhancing health and human services, and implementing pre-kindergarten programs in elementary schools. TNI has also been an asset to breaking down silos between departments and improving inter-agency communication that has benefitted operations throughout the entire County. Lastly, TNI has served to attract new private investments into these communities.

In order to build upon these successes, I am pleased to submit the adopted operating and capital budgets for FY 2015. Although the County continues to recover from the recession, we remain committed to building upon the momentum of the past three years by making strategic investments in critical priorities, while at the same time adhering to sound fiscal management. Despite the general economic outlook showing some encouraging signs of recovery, especially in the housing market, we still had to make very difficult budgetary decisions.

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To assist in that effort and to ensure greater collaboration, we employed a new cluster approach for review of budget requests this year. It provided cluster participants the chance to set priority goals and services collectively, and to brainstorm on cross-agency cost-saving ideas and revenue-raising ideas. We will continue to enhance such budget development efforts in the future because it truly helps to reinforce a dual focus on the role agency each plays in the achievement of the strategic priorities and the County's long term fiscal sustainability.

The FY 2015 adopted budget will keep us moving in the right direction by investing in our key strategic priorities, including:

- Providing support to the Board of Education beyond the "maintenance of effort" level to directly assist in funding student achievement through expanding effective programs;
- Increasing the investment in the Summer Youth program to expand training and job opportunities
- Continuing to keep our communities safe by having recruitment classes for Police and Fire, and providing additional fire station management funds to offer greater incentive for volunteers;
- Continuing support of economic development by maintaining resources for the new one-stop shop at the Department of Permitting, Inspections, and Enforcement (DPIE) and for the Economic Development Incentive Fund;
- Continuing the efforts to improve the health and well-being of County residents by restructuring the health and human service agencies and effectively attracting and managing grant funds;
- Improving our environment by implementing programs to improve water quality;
- Increasing governmental transparency by experiencing a full-year operation of the Office of Ethics and Accountability; and
- Implementing the first phase of a new Enterprise Resource Planning (ERP) project for integrated finance, budget, human resources, and procurement system to enhance operation efficiency.

### **FY 2015 Budget – All Funds**

The adopted FY 2015 budget for all operating funds is \$3.43 billion, an increase of \$163.8 million (5.0%) over FY 2014. The General Fund, which accounts for 83.3% of all spending in FY 2015, will increase by \$144.9 million, or 5.3%. County source revenues increase by \$45.3 million or 2.9%. The moderate growth is primarily due to increases in real property taxes and transfer and recordation taxes resulting from a gradually recovering housing market. Other major revenues such as income taxes, however, will remain relatively flat due to a slowdown in the labor market and the impact of Federal actions (such as sequestration). Outside Aid increases \$99.6 million or 8.7%, primarily due to a \$57.8 million growth in State aid to the Board of Education and a \$43.2 million use of other Board sources.

Grant funding will increase in FY 2015 by \$5.8 million or 2.8%. Special revenue funds, which accounts for \$149.1 million or 4.3% of all spending in FY 2015 are projected to increase by 0.5%.

The County's Enterprise Funds, which includes the Local Watershed Protection and Restoration Fund that was newly established in FY 2014, totals \$165.8 million, representing a growth of 5.9% to fund various water quality programs and meet the State mandates. The Internal Service Funds, totaling \$49.4 million in FY 2015, comprise the remainder of the budget.

The chart below shows a summary of all operating funds in FY 2015 (amounts in millions):

| Fund                     | FY 2014<br>Budget | FY 2015<br>Approved | % Change    |
|--------------------------|-------------------|---------------------|-------------|
| General Fund             | \$ 2,712.3        | \$ 2,857.2          | 5.3%        |
| Internal Service Funds   | 46.2              | 49.4                | 6.9%        |
| Enterprise Funds         | 156.6             | 165.8               | 5.9%        |
| Special Revenue Funds    | 148.3             | 149.1               | 0.5%        |
| Grant Program Funds      | 204.5             | 210.3               | 2.8%        |
| <b>Total - All Funds</b> | <b>\$ 3,268.0</b> | <b>\$ 3,431.7</b>   | <b>5.0%</b> |

### General Fund Revenues

The two main characteristics of last year's General Fund revenue forecast continue to frame the revenue picture for FY 2015 - a national and regional economy that is experiencing sluggish growth and an improving real estate market. The FY 2015 budget represents an increase of \$144.9 million over the FY 2014 Budget. The increase is primarily driven by an increase in outside aid plus an increase in taxes directly related to a recovering housing market. The adopted FY 2015 General Fund budget includes \$1.6 billion in County Sources and \$1.2 billion in Outside Aid.

### General Fund – County Sources

County Sources – taxes, fees, licenses and permits, service charges, use of money and property, etc. – represent resources used to fund the majority of government programs and services, including the County's contribution to the Board of Education, Memorial Library System and Community College. In FY 2015, County Sources are projected to be \$1.6 billion, an increase of \$45.3 million, or 2.9%, over the FY 2014 budget. These revenues account for approximately 56.3% of the total General Fund revenues for FY 2015.

Real Property Taxes at \$649.5 million, represent the largest portion of County Source funding, approximately 40.4%. For FY 2015, Real Property Taxes are projected to increase by \$19.7 million or 3.1% over the FY 2014 budget. The increase is due to an expected reversal in the decline in the County's real property assessable base, as the local housing market improves (Group 2 reassessment: +5.3%). The County's taxable real property base is projected to increase from \$69.1 billion in FY 2014 to \$71.0 billion in FY 2015, an increase of 2.7%. Personal property tax revenues are projected to increase by \$3.8 million or 6.0% in FY 2015.

The County's real estate market is forecasted to continue to improve over the current year estimate. As such, the combined receipts from both the Transfer and Recordation taxes are anticipated to increase by 13.6% to \$115.4 million in FY 2015. This improvement reflects a double-digit growth in the median home sales price in calendar year 2013 and the first half year of 2014.

Income Tax revenues, however, will be lower as the County continues to experience the impact of a weak job market and the federal budget actions. Revenue from income tax receipts are expected to decrease by \$2.5 million (0.5%) to \$506.6 million, largely based on lower-than-anticipated FY 2014 collections. Total income tax revenues include funding from the State Income Disparity Grant, which increases by \$5.8 million or 26.8% to \$27.5 million in FY 2015, as the County's income tax growth continues to lag behind the State's average.

Intergovernmental revenues are projected to increase by \$2.9 million in FY 2015, primarily due to a one-time increase of \$2.5 million transfer from the Revenue Authority. Other intergovernmental revenues largely stay unchanged from prior year. In FY 2015, the County will continue to receive \$9.6 million in Teacher Retirement Supplemental grants from the State to partially offset the \$25.0 million cost shift to the County. This is the third year of the phased shift to the counties for teacher pensions.

The biggest decline in General Fund revenues is from the Telecommunications Tax, which decreases by \$3.4 million to \$31.6 million in FY 2015 based upon current trends. Another revenue source that is expected to decline is the Automated Speed Enforcement program, which is expected to decline by \$0.6 million to \$9.0 million in FY 2015 as consumer behavior changes. These adjustments reflect alignment with actual collection trends.

The FY 2015 Adopted Budget includes the use of \$4.1 million in Fund Balance, of which \$1.3 million is for PAYGO Capital Improvement Program (CIP) project.

#### General Fund – Outside Aid

Outside Aid to the Board of Education, Community College and Library are estimated to be \$1.2 billion in FY 2015, an increase of \$99.6 million or 8.7% from the FY 2014 Approved levels. Outside Aid accounts for 43.7% of total General Fund revenues in FY 2015, up from 42.3% in FY 2014. The primary driver for the growth is a \$57.8 million increase of State Aid for the Board of Education and use of \$43.0 million of the Board's fund balance.

#### Thriving Economy

The County's continued successes will be measured in large part by our ability to grow the local economy. The County has made notable progress since it launched the Economic Development Incentive (EDI) fund two years ago with an investment of \$50 million in order to provide loans and grants to promote business attraction and expansion. As of June 2014, the County has awarded \$13.3 million in EDI funding to 17 projects. This investment is estimated to retain and create approximately 1,600 County jobs. So far, EDI funding has leveraged \$1.2 million in State economic development funds and approximately \$102 million in private investments in the County. The adopted FY 2015 budget includes \$13 million from this fund to continue investing in the economy. The Economic Development Corporation and the Financial Services Corporation will continue to use the EDI fund, along with other available financial incentives, to retain and attract businesses to Prince George's County.

We will also continue our progress in term of growing the residential, commercial and industrial economy by improving efficiencies in the permitting and inspection processes. In FY 2014, a new Department of Permitting, Inspections and Enforcement was established to streamline and improve services in this regard. The FY 2015 budget includes funding to fill critical vacancies and identify information technology (IT) solutions to support this one-stop shop.

The adopted 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. The adopted budget funds four new positions. The FY 2015 adopted budget also includes \$6 million from the Maryland Attorney General's National Mortgage Settlement fund to provide financial literacy and housing counseling services to County residents, acquire and rehabilitate foreclosed homes, and provide down payment and closing costs assistance to homebuyers. The County was awarded \$10 million over a three-year period to assist distressed homeowners and reduce the number of foreclosed properties in targeted communities.

In addition, the Non-Departmental budget includes a \$1.3 million PAYGO transfer to the Redevelopment Authority's capital budget to support community revitalization efforts in Cheverly, Gateways Arts District and other targeted areas.

### **Excellent Education System**

The FY 2015 adopted budget continues to support our goal of excellent education. The budget includes \$1.8 billion in funding for the Board of Education, an increase of \$107.4 million or 6.4% over the FY 2014 budget. Funding for the Board constitutes 62.8% of all General Fund spending in the FY 2015 budget. The County's contribution represents an increase of \$6.5 million over FY 2014 and exceeds the Maintenance of Effort requirement by over \$2 million. The adopted budget supports student achievement by rebalancing class size and expanding and enhancing effective programs. Those proven programs include pre-kindergarten and other specialty programs at all levels (e.g., Secondary School Reform, Talented and Gifted, Montessori and various Immersion programs). It also allows for the restoration of services that support students and their families, such as parent liaison, reading specialists, nurses and guidance counselors.

The County will also make significant investments in a number of school construction projects in FY 2015, including over \$100 million in County capital funds to support such projects as continued construction of the new Fairmont Heights High School replacement, Eugene Burroughs Middle School renovation and Glenarden Woods Elementary School renovation.

In addition, the FY 2015 adopted operating budget includes \$108.9 million for the Community College, a 2.7% increase over FY 2014 partly even after the removal of one-time County investment (I-Net Funds) in FY 2014 for IT equipment. The adopted budget funds cost of living adjustments and an increase of 23 full-time and 45 part-time positions to support core services and improve the faculty ratio of the Community College. It also includes funding for various job training programs. In addition, the CIP budget includes funding for planning and design of the Queen Anne Academic Center, feasibility study for a Southern Region Campus, construction of the new Culinary Arts Center, and construction of the Circulation/Roadway Modification project.

The adopted FY 2015 operating budget for the Memorial Library System is \$26.5 million, a decrease of \$0.7 million primarily due to eliminating one-time IT investment in FY 2014. The adopted budget provides cost of living adjustments, maintains the restoration of Sunday hours of operation at three branches starting in FY 2014, and allows for increasing Sunday hours for four branches in FY 2015 (New Carrollton, Fairmont Heights, Hillcrest Heights, and Spaulding). The FY 2015 CIP funds will support the construction of the new Laurel Branch Library and the new Hyattsville Branch Library, planning and design for the Surratts-Clinton Branch renovations, construction for the New Carrollton Branch Library's renovations and various improvement projects.

### **Safe Neighborhoods**

The County makes a significant investment in FY 2015 to the public safety and court sectors to support various crime reduction initiatives with adopted funding for these agencies increasing by \$31.0 million, or 5.5% over the FY 2014 level. The increase represents 68.5% of the \$45.3 million total increase of County source revenues in FY 2015. Funding to the Police Department supports three new recruit classes that will add 150 new officers to not only offset attrition but also continue the increase of sworn officers on-board. In addition, the adopted budget allocates \$3.0 million in additional overtime to support crime reduction initiatives.

The adopted budget for the Fire/EMS Department funds two class of 70 recruits in total to improve the number of sworn employees on-board, and also increases investments for the volunteers, in the form of

additional station management funds, allocated emergency transportation proceeds, more funding for apparatus maintenance, and funding for a recruitment and retention campaign to encourage volunteer participation and support daily operations of the volunteer fire commission. The Office of Homeland Security receives funding for cost of living and merit adjustments, and to fill all vacant emergency dispatcher positions to support emergency responses.

The Department of Corrections (DOC) adopted budget funds one class of 25 to offset attrition, provides start-up funds for a new re-entry program, and allows filling 14 civilian vacancies in order to return sworn officers to security duties. As a result, overtime is projected to be reduced in this agency.

The Office of the Sheriff's adopted FY 2015 budget supports filling all civilian vacancies and filling 14 additional deputy sheriff vacancies to support court security and reduce outstanding warrants. The FY 2015 adopted budget for the Circuit Court and the Orphans Court funds full staffing complement and cost of living adjustments for staff and provides continuous support for the Re-entry Court started in FY 2014 as well as IT applications and systems for the court systems. The State's Attorney's Office receives funding for salary enhancements and increases for the witness protection programs and the use of expert witnesses.

The six-year CIP budget includes funding for: the completion of the District 7 police station, construction of the new District 5 police station, construction of the Emergency Operation Center (back-up 911) and implementation of a records management system to support all public safety data. The six-year CIP also includes phase II of the Kitchen Facility Replacement project at DOC, renovations of the building to house the Work Release facility, planning and design for the Administrative Wing Expansion and renovations will continue on the original 14 housing units that opened in 1987. Construction will also occur for the new Brandywine Fire/EMS station, the new Public Safety Pier at National Harbor and planning and design for renovations at West Lanham Hills Station will begin.

### **Quality Healthcare and Effective Human Services**

The FY 2015 adopted budget continues to include \$15 million for the Dimensions Health System, including resources for debt services payments for the refunded bonds. 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 facility, to be 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.

Despite overall decreases in County-source funding in these areas, the health and human service agencies are restructuring their service delivery and administrative organization through correctly aligning staff with functions and utilizing grant funding. These efforts have ensured that there will be no diminution of social services, particularly to our most vulnerable and at-risk populations.

Funding continues to support the Family Crisis Center and the creation of a Domestic Violence Coordinator position to develop and implement a comprehensive domestic violence strategy for the County. Additional changes include the Health Department transferring three community developers to the Department of Social Services to supplement the County/Board of Education school resource program in TNI areas, and consolidating mental health programs into the Health Department for efficiency and effectiveness of service delivery. The capital budget contains funds for construction of the Shepherd's Cove Women's Shelter. Through agency appropriations, the discretionary grant programs, and the CIP, 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.

### **Clean and Sustainable Environment**

In FY 2015, the County continues its investment in various environmental programs to improve quality of life and support Federal and State mandates. The adopted FY 2015 funding for the Local Watershed Protection and Restoration Enterprise Fund, established in FY 2014, increases by \$6.6 million or 82.5% over the FY 2014 budget to support the various operating expenses associated with meeting federal and state mandates. The County also increases its investment in the Stormwater Management Fund in FY 2015 by \$5.4 million or 10.3% for different water quality programs.

The Solid Waste Management fund realizes savings through reducing trash pickup routines but increases investments in other areas, such as initiating a pilot organic food composting program seeking to use innovative technologies. The FY 2015 CIP includes construction of phase 1 of the area B final cover system at Brown Station Road Sanitary Landfill, upgrade of rural convenience centers, siting design of new convenience centers in northern county and the development of the Organics Composting Facility, which is an upgrade project of the County's yard waste facility.

### **High Performance Government Operations**

General government agencies as a group experience a \$2.8 million increase in funding primarily due to higher maintenance needs associated with the new facilities purchased by the County. The adopted budget supports the following initiatives:

- Continuation of the 3-1-1 Call Center to address citizen questions and service needs promptly;
- A fully staffed Office of Ethics and Accountability with a case management system;
- Continued implementation of CountyStat sessions to enhance data-informed, evidence-based decision making;
- South County Fiber Construction, Route 4 Fiber Build, and IT infrastructure refreshment;
- Continued implementation of the Enterprise Resource Planning (ERP) project to enhance efficiency across functional areas; and
- Additional maintenance needs (positions and contracts) associated with the County's acquisition of new facilities.

### **Spending Affordability Committee (SAC) Guidelines**

The County's Spending Affordability Committee (SAC) is a truly dedicated citizen committee of exceptional professionals who have been invaluable assets to Prince George's County for many years. The FY 2015 SAC recommendation for the FY 2015 General Fund budget was \$2.79 billion.

The FY 2015 adopted budget is approximately \$70.4 million higher than the committee's recommendation. Several significant actions that occurred since the committee made its recommendation account for the change including:

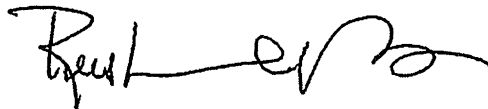
- Increase in Real Property Tax revenues based on State Department of Assessments and Taxation February projections on assessable base - \$9.1 million
- Decrease in Income Tax receipts based on year-to-date performance – (\$2.4 million)
- Increase in the State's Income Disparity Grant - \$5.8 million
- Unanticipated increase in Outside Aid for the Board of Education - \$47.8 million
- Use of Fund Balance for one-time PAYGO capital projects and other programs - \$4.1 million
- A one-time increase in transfer-in from the Revenue Authority - \$2.5 million
- A one-time transfer-in from the Fleet Management Fund - \$2.4 million
- Other changes - \$1.1 million

I wholeheartedly endorse the committee's recommendation for the continuation of conservative revenue estimates and the avoidance of using fund balance for ongoing expenditures. Furthermore, the FY 2015 adopted budget complies with their recommendation to preserve the County's General Fund reserves – Charter-mandated 5.0% and the financial policy-required 2.0%. I share the committee's recommendation to continue with these important efforts. These practices are essential to us maintaining the County's AAA bond rating from the major rating agencies.

In closing, this adopted budget represents the collective wisdom of all of the participants who eagerly engaged in the new process that identified and ranked the strategic priorities for investment in the upcoming fiscal year. The FY 2015 adopted budget maintains the critical investments to keep us on a path toward growing the economy, improving our schools, providing safe neighborhoods, maintaining high-quality health and human service levels, and protecting our environment.

I look forward to continually serving you as we move toward our vision as a nationally recognized jurisdiction and regional leader.

Sincerely,

A handwritten signature in black ink, appearing to read "Rushern L. Baker, III". The signature is fluid and cursive, with a large initial "R" and a long horizontal stroke extending to the right.

Rushern L. Baker, III  
County Executive