

# PRINCE GEORGE'S COUNTY GOVERNMENT

## OFFICE OF THE COUNTY EXECUTIVE

Rushern L. Baker, III  
County Executive

July 1, 2013

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

I am pleased to present the approved operating and capital budgets for FY 2014. The County has received national recognition for its successes and will continue to do so with important investments made in the FY 2014 budget. Although our national economy has stabilized to date, the County Government continues to face funding challenges due to the lagged impact of the economy on our real property assessed value. Other risks exist too, such as the potential impact from sequestration and budget reductions of the federal government on grants, income and jobs in the County. The FY 2014 budget maintains our commitment to ensure progress in our mission to transform the quality of life for our citizens and maintain sound fiscal management.

For FY 2014, we prioritize our spending in ways that strengthen the economy and target resources to our most vulnerable areas of the County while not diminishing resources to our most vulnerable citizens. This is accomplished through the investments in the *Transforming Neighborhoods Initiative* (TNI) which targets existing County resources across multiple agencies and focused on enhancing partnerships with non-profit organizations, faith-based organizations, and private sector entities to strengthen and provide wrap-around services in six communities. Staff and resources are brought together to break down agency barriers using a new, collaborative approach that efficiently tackles the County's most pressing issues.

We again broke down traditional barriers by overhauling our permitting process, a key policy change to unlock the delays and inefficiencies that have plagued that process – and held back our economy – for too long. In collaboration with the County Council, we created a new agency – the Department of Permitting, Inspections and Enforcement (DPIE) – by reallocating staff from the multiple permit and inspection agencies and brought them under one roof. This will bring an unprecedented level of customer service to our private sector partners.

Although the FY 2014 budget contains both modest and fiscally responsible reductions in some areas, the budget maintains the critical investments to foster a growing economy, great schools, safe neighborhoods, responsive human services, a clean and sustainable environment and access to high-quality health care through the oversight of a fully-engaged and transparent government. Hence, we will continue to experience positive and measurable results for the citizens of Prince George's County.

In spite of the modest reductions, our County agencies will continue to work across traditional boundaries to meet their stated goals. Moreover, direct services to our citizenry will remain mostly unaffected, as the approved reductions largely spared our public safety, education and human services agencies. The reductions do not result in closing facilities or eliminating entire programs. In fact, the greatest cuts primarily occur within the Government's "back offices"- general government line agencies and non-departmental.

### **FY 2014 Budget – All Funds**

The approved FY 2014 budget for all operating funds is \$3.26 billion, an increase of 1.2% over FY 2013. The General Fund, which accounts for 82.9% of all spending in FY 2014, will increase by \$28.9 million, or 1.1%. State support for the Prince George's County Public Schools increases by \$37.4 million and Outside Aid in total increases \$35.4 million.

Also, on the positive side, grant funding will increase in FY 2014 to support various services from affordable housing to health programs to firefighters. Our agencies diligently sought new sources of revenues in these trying times and the FY 2014 approved budget includes grant funding of \$204.5 million, an increase of \$10.5 million, or 5.4%. Special revenue funds account for \$149.4 million of the budget, a

decrease of 2.1%. This decrease, however, is attributable to a lowering in the County's debt service obligations. The County's Enterprise Funds, which includes a new Local Watershed Protection and Restoration Fund, is \$156.6 million and Internal Service Funds (\$46.2 million) comprise the remainder of the budget.

The chart below shows a summary of all operating funds in FY 2014 (amounts in millions):

Fund	Approved FY 2013	Approved 2014	% Change
General Fund	\$2,677.3	\$2,706.2	1.1%
Internal Service Funds	\$51.0	\$46.2	-9.5%
Enterprise Funds	\$148.6	\$156.6	5.3%
Special Revenue Funds	\$152.6	\$149.4	-2.1%
Grant Programs Funds	\$194.1	\$204.5	5.4%
Total - All Funds	\$3,223.6	\$3,262.9	1.2%

General Fund Revenues

The two main characteristics of last year's General Fund revenue forecast continue to frame the revenue picture for FY 2014: a national and regional economy that is showing a moderate growth and a slowly recovering real estate market. The FY 2014 forecast of \$2.7 billion represents a modest increase of \$28.9 million over the FY 2013 Approved Budget. The slight increase is driven by increases in State Aid programs to the Prince George's County Public Schools.

The approved FY 2014 General Fund budget includes \$1.56 billion in County sources and \$1.15 billion in Outside Aid. The FY 2014 approved budget includes use of \$5.5 million in general fund balance mainly for non-recurring costs in the six TNI communities.

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 2014, County Sources are projected to be \$1.56 billion, a decrease of \$6.5 million, or 0.4%, under the FY 2013 approved budget. These revenues account for approximately 57.6% of the total General Fund revenues for FY 2014.

Real Property Taxes at \$629.8 million, represent the largest portion of County Source funding, approximately 40.4%. For FY 2014, Real Property Taxes are projected to remain comparable to the FY 2013 approved budget, with a projected decrease of only \$65,500. Despite the fourth straight year of declining real property assessable base, the County is beginning to experience moderation in the depth of the decline (Group 1: – 10.6%). The County's real property base is projected to increase from \$68.5 billion in FY 2013 to \$69.1 billion in FY 2014, a marginal increase of 0.9%. Personal property tax revenues are projected to decline \$2.0 million in FY 2014.

Income Tax revenues, on the other hand, show robust growth in FY 2014. Revenues are projected to grow by \$35.3 million (7.1%) to \$530.8 million. Income Tax revenues include both income tax receipts and funding from the State Income Disparity grant (\$21.7 million) that remains unchanged from FY 2013. The growth is attributable to better than expected performance during the current fiscal year.

Also on a positive note, 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 7.3% to \$97.1 million. This improvement is largely due to higher median home sale prices.

Intergovernmental revenues are projected to increase to \$40.8 million in FY 2014, an increase of 4.9%. Decreases in miscellaneous project charge revenue from the Maryland-National Capital Park and Planning Commission (M-NCPPC) are offset by increases in State Aid programs such as the Police Aid

grant (\$1.4 million) and the Racing grant (\$1.0 million). In FY 2014, the County will continue to receive \$9.6 million in Teacher Retirement Supplemental grants from the State to partially offset the \$24.8 million cost shift to the County. This is the second year of the phased shift to the counties for teacher pensions.

The biggest decline in General Fund revenues is from the Automated Speed Enforcement program, which decreases \$18.4 million to \$9.6 million. Two other revenue sources show significant decline in FY 2014: Energy Tax revenues decline \$11.5 million and the Telecommunications Tax revenues declines \$2.1 million. These adjustments reflect alignment with actual collection trends.

The FY 2014 Approved Budget includes a Fund Balance Transfer of \$8.2 million. These funds will primarily be used for blight mitigation and other revitalization efforts in TNI areas and includes other transfers totaling \$2.7 million from the Information Technology Internal Service Fund and the EDI Fund. The FY 2014 transfer is \$16.4 million less than the transfer for the FY 2013 Approved Budget.

#### General Fund – Outside Aid

Outside Aid to the Board of Education, Community College and Library is estimated to be \$1.15 billion in FY 2014, an increase of \$35.4 million (3.2%) over the FY 2013 approved budget. Outside Aid accounts for 42.4% of total General Fund revenues in FY 2014, up from 41.6% in FY 2013. The primary driver of the increase in Outside Aid for each entity is State Aid. Outside Aid to the Board of Education increases by \$32.7 million or 3.2%. Outside Aid to the Community College increases by \$2.4 million in FY 2014 (3.4%) and Outside Aid to the Library increases \$235,000 or 2.9% in FY 2014.

#### Thriving Economy

Economic development is at the core of our commitment to ensure a high quality of life and the long-term viability of Prince George's County. Businesses are retained in and drawn to the County in part through the \$50 million Economic Development Incentive (EDI) fund. This program was launched in 2012 and awarded its first business development funds in FY 2013. As of February 2013, the County awarded \$2.4 million in EDI funding for six projects. This investment is estimated to retain and create nearly 900 jobs within the County. EDI funds leveraged \$26 million in private investments and \$700,000 in State economic development funds. The County budgeted \$11 million in FY 2013 and another \$11 million from the fund in FY 2014 to provide grants and loans that will help expand our tax base. The Economic Development Corporation and the Financial Services Corporation use the EDI fund, along with other available financial incentives, to retain and attract businesses to Prince George's County.

We will grow our residential, commercial and industrial construction economy by creating efficiencies in the permitting and inspections processes. In FY 2014, DPIE will consolidate these functions to save time and money for the construction and development communities. The creation of DPIE shows the business community that Prince George's County is an important partner in their success.

The approved budget also supports the Department of Housing and Community Development (DHCD) 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 FY 2014 approved budget includes \$4 million from the Maryland Attorney General's National Mortgage Settlement fund. 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. This funding will be used to provide financial literacy and housing counseling services to County residents, acquire and rehabilitate foreclosed homes, and provide down payment and closing cost assistance to homebuyers. In addition, the Non-Departmental budget includes a \$1.3 million transfer to the Redevelopment Authority capital budget to support community revitalization efforts in Suitland and the Gateways Arts district. Similarly, the capital budget also includes \$4.5 million for a Blight Eradication Program in the County's TNI communities with \$750,000 in funding allocated in each TNI area for the acquisition and demolition of properties.

### **Excellent Education System**

The FY 2014 approved budget continues to support our goal of a first-class school system to educate our children. The approved budget includes \$1.69 billion in funding for the Board of Education, an increase of \$23.4 million over the FY 2013 budget. Funding for the Board constitutes 62.4% of all General Fund spending in the FY 2014 budget. The County's contribution (\$623.7 million) meets the Maintenance of Effort requirement. Additionally, the Board's budget earmarks approximately \$7.6 million of funding to address K-12 and after school needs in TNI communities. This funding will support truancy, social service and summer bridge programs for middle and high school students. The County will also make significant investments in a number of school construction projects in FY 2014, including \$80.3 million of County funds in the capital budget to support such projects as continued construction of the new Oxon Hill High School replacement, Fairmont Heights High School replacement and Eugene Burroughs Middle School renovations.

The FY 2014 approved operating budget includes \$106.0 million for the Community College, a 3.4% increase over FY 2013. The Capital Improvement Program (CIP) includes funding for renovations at the College's Facilities Management Building and to upgrade the Campus Fire Alarm System, and various infrastructure improvement projects. It also includes \$76.1 million in capital funds to renovate and expand the Queen Anne Academic Center. The approved operating budget for the Memorial Library System is \$27.1 million, an increase of \$1.7 million or 6.6%. The increased funding restores Sunday operating hours at three branches. The FY 2014 CIP funds will support the construction of the new Laurel Library (\$17.5 million) and the planning and design for the Hyattsville Branch Library replacement (\$14.3 million), the New Carrollton Branch Library renovations and various improvement projects. Additionally, an out-year commitment is included for the Bladensburg Library.

### **Safe Neighborhoods**

Despite an overall decrease of \$6.5 million (0.4%) in County-source revenues in FY 2014, the County manages to increase its funding for the public safety and criminal justice sectors by \$10.2 million. The Police Department will receive \$270.8 million in FY 2014, an increase of 4.6%. Funding supports two new recruit classes for the Police Department which will add 80 new officers to assist with the staffing needs for the new District 7 station and also supports the acquisition of 125 police vehicles. The Office of the State's Attorney budget increases 2.4% to \$14.3 million and includes funds to add two new investigator positions along with \$400,000 in Asset Forfeiture Funds to support the Guns and Drugs Unit and a non-violent drug offenders program. The Office of the Sheriff's budget for FY 2014 provides \$32.5 million and will phase-in the hiring of 16 vacant deputy sheriff positions to maintain adequate court security and continue their focus on serving warrants in a safe, timely and efficient manner. The Sheriff will also receive new x-ray machines and wands to enhance security in the court rooms. The Fire/EMS Department will bring on two new classes of recruits for a total of 65 and will receive a total of \$130.9 million. This reflects a combined funding for Volunteer Fire companies. Additionally, the budget contains funds for the acquisition of two fire engines, one ladder truck and 12 ambulance units. A class of 20 recruits will be added to the Department of Corrections whose FY 2014 budget is approved at \$66.8 million and reflects changes in zone operations. The Office of Homeland Security will receive \$23.9 million in funding for a full staffing complement.

Moreover, the six-year CIP includes funding for: Police - the completion of the District 7 police station, the construction of three new police stations, renovations at a new Police Headquarters building and consolidated forensic labs; and, Corrections - construction of a new kitchen facility at the Detention Center, renovations at the newly purchased building to house the Work Release facility, and renovations on the original 14 housing units that opened in 1987. Under Fire/EMS services, construction will begin on the new Brandywine Fire/EMS and Hyattsville stations and the construction of the Shady Glen Fire/EMS and Oxon Hill stations will be completed. The approved capital program also includes funds to renovate the former 9-1-1 Center into a Combined Communications Center that will serve as an Operations Center during emergencies and as the backup hub for the County's emergency call center.

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

The FY 2014 approved budget continues to include \$15 million for the Dimensions Healthcare System. Joint efforts on behalf of the State and the County will ensure financial stability of the system, as well as plans for the new Regional Medical Center. The new Regional Medical Center will be a state-of-the-art facility, which is being 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. The approved capital budget includes \$208 million for the County portion of this project.

In spite of an overall decrease in County-source funding in these areas, our health and human service agencies in FY 2014 increase by 2.3% when all funds are considered year over year. Moreover, the agencies have begun restructuring their service delivery and administrative structures through correctly aligning staff with functions and utilizing grant funding. Funding continues to support the Family Crisis Center and services in TNI areas. Through agency appropriations and the discretionary grant program, services for the elderly, at-risk youth, those with no or substandard health insurance and many others continue to be supported. These efforts have ensured that there will be no diminution of services, particularly to our most vulnerable and at-risk populations.

The capital program contains funds for three homeless shelters to serve men (\$9.1 million), women (\$17.0 million) and children (\$4.4 million).

### **Clean and Sustainable Environment**

The FY 2014 approved budget includes \$156.6 million in local watershed protection and restoration, stormwater and solid waste activities. Recent federal and State mandates require a new stormwater mitigation plan to improve the drinking water in the State. Local jurisdictions must create and approve plans in 2013 to meet the State requirements. The FY 2014 approved budget includes the first steps to support this effort through the creation of the Local Watershed Protection and Restoration Fund, a new Enterprise Fund with an initial estimated funding of \$7.9 million. The fund is established in the Department of Environmental Resources. Over the next two decades, the County will invest approximately \$1 billion to improve water quality through our communities. Funding is also available for flood management and monitoring of water levels.

### **High Performance Government Operations**

Through the continuing enhancement of our data-driven decision making processes and the integration, collaboration and sharing of data between County agencies, as witnessed through our robust CountyStat program, we will continue to improve government operations and service delivery to our residents. Such data analysis was instrumental in the development of DPIE and TNI.

The FY 2014 approved budget further demonstrates the efficiency and transparency of our County government. Full funding is included for the Office of Ethics and Accountability to investigate and mitigate misconduct and unethical practices in government. The 3-1-1 Center is largely staffed with reallocated positions from several County agencies. In FY 2013, the Office of Information Technology conducted a computer refresh of all desktops, and in FY 2014 will continue its upgrade of servers and networks. Lastly, the FY 2014 approved budget - as shown in Non-Departmental, includes an investment in our employees through a compensation enhancement reserve for County employees pending the final outcomes of labor union negotiations. The costs for which will be partially offset by savings generated by a voluntary retirement incentive program implemented in late FY 2013.

### **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 2014 SAC recommendation for the General Fund was \$2.65 billion.

The FY 2014 approved budget is approximately \$58.0 million higher than the committee's recommendation. Several significant actions that occurred since the committee made its recommendation account for the change, including:

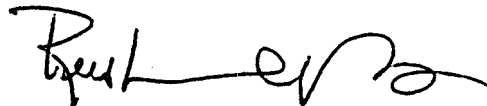
- Increased Real Property Tax revenues based on updated State Department of Assessments and Taxation constant yield report - \$12.6 million
- Increased Transfer and Recordation tax revenues based on FY 2013 activity - \$10.3 million
- Increased Income Tax revenue based on year-to-date activity - \$4.0 million
- Unanticipated increases in Outside Aid for the Library (\$0.2 million), Community College (\$1.5 million) and the Board of Education (\$19.4 million) - \$21.1 million
- Use of general fund balance (\$5.5 million), and transfer in from Information Technology Internal Service Fund (\$1.5 million) and EDI Fund (\$1.2 million) for one-time expenditures - \$8.2 million
- Additional intergovernmental revenues - \$6.4 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. Further, the FY 2014 approved 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, the FY 2014 approved budget confidently maintains the critical investments to grow the economy, improve our schools, provide safe neighborhoods, maintain high-quality health and human service levels, and protect and beautify 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 long horizontal stroke extending to the right.

Rushern L. Baker, III  
County Executive