

## BUDGET GUIDE

This is one of two documents presenting the County's approved budget for Fiscal Year 2014 (FY 2014). The operating budget (which is described below) underwrites the County's day-to-day operations. The six-year Capital Improvement Program (CIP) is the County's spending plan for capital facilities—buildings, roads, parks and the like—through FY 2019. Within the CIP is the capital budget, which consists of the first year's planned expenditures for the six-year program. The CIP and capital budget are described in a separate document, *The Approved Capital Budget and Program*.

### HOW TO READ THE BUDGET BOOK

The budget book includes three important items regarding the County's FY 2014 approved budget: summary information, agency budgets and supplemental information which are explained in the sections below.

#### **SUMMARY INFORMATION**

The summary of the FY 2014 approved budget is in three individual sections, identified by tabs, listed below.

- **Strategic/Fiscal Policies** - Summarizes the application and use of the County's performance management system and financial policies that are utilized and implemented in the approved budget.
- **Budget Overview** - Provides a summary of the FY 2014 approved budget's expenditures, revenues, distribution of funds, positions, fringe benefit costs and fund balance.
- **Revenue** - Details the County's revenues that fund this and past budgets.

#### **AGENCY BUDGET SECTIONS**

Individual agency budgets (such as the Police Department and Office of Homeland Security) are grouped by functional areas (such as Public Safety). These agencies contain sub-classifications by activities, such as Bureau of Patrol or Bureau of Investigations. Depending on the agency, their budget pages can include some, if not all of the following sections: Mission and Services, FY 2014 Budget Summary, Service Delivery Plan and Performance, FY 2013 Key Accomplishments, Organizational Chart, Funds Summary, Staff Summary, Five Year Trends, General Fund, Other Funds (Internal Service, Enterprise and Special

Revenue Fund) and Grants. Each of these sections is explained below.

#### **Mission and Services and FY 2014 Budget Summary**

Below is an example for the first two sections for each agency: Mission and Services and FY 2014 Budget Summary sections. These sections summarize the agency's strategic direction, responsibilities and approved budget. Below, more detail on each subsection is provided. An agency may or may not have all of the information illustrated below.

##### **MISSION AND SERVICES**

**Mission** - The Office of Finance provides revenue and investments, funds disbursement operations, accounting, debt management and risk management in line with best practices to the County citizens, residents and agencies in order to ensure fiscally accountable and effective service delivery.

##### **Core Services** -

- Revenue collection and investments
- Risk management
- Debt management, including preparation of documents for County bond issuances
- Funds disbursement operations

##### **Strategic Focus in FY 2014** -

- The agency's top priorities in FY 2014 are
- Maintain the percent of real property tax revenue collected by promoting e-payment options to taxpayers
  - Reduce the risk management reserve payments to claimants by partnering with the Office of the County Executive and Office of Management and Budget to do the quarterly review of risk management reserves and to identify potential policy changes
  - Maintain the number of bond rating agencies awarding the County an AAA rating (the highest bond rating) by partnering with the Office of the County Executive, Office of Management and Budget, Office of Law, Bond Counsel and Financial Advisors in the preparation of bond sales

##### **FY 2014 BUDGET SUMMARY**

The FY 2014 approved budget for the Office of Finance is \$3,666,000, a decrease of \$240,100 or 6.1% under the FY 2013 approved budget.

##### **Budgetary Changes -**

<b>FY 2013 APPROVED BUDGET</b>	<b>\$3,906,100</b>
Increase in compensation for a personal service contractor (Manager)	\$196,700
Fringe benefits as a percent of compensation changes (5% to 34.2%)	\$54,900
Increase in contract for financial software	\$200
Decrease telephone, printing, periodicals, office automation, training, membership fees, mileage, office supplies and repairs	(\$91,700)
Decrease in compensation for lapse, attrition and one-time payment	(\$121,000)
Increase in recoveries to reflect fringe benefit adjustment and Debt Manager position	(\$279,200)
<b>FY 2014 APPROVED BUDGET</b>	<b>\$3,666,000</b>

- **Section 1: Mission** - Includes the agency's mission statement which summarizes the agency's purpose.
- **Section 2: Core Services** - Lists the programs/services the agency delivers to its customers.
- **Section 3: Strategic Focus in FY 2014** - Lists an agency's top three priorities (objectives) for FY 2014 along with the top strategy to accomplish that objective. The purpose of this section is to provide the reader with a snapshot of the agency's focus for the fiscal year.
- **Section 4: FY 2014 Budget Summary** - Provides the agency's FY 2014 funding level for all funding sources and details on specific funding levels such as the General Fund and grant funds.

- **Section 5: Budgetary Changes** - Illustrates all of the changes from the FY 2013 approved budget to the FY 2014 approved budget.

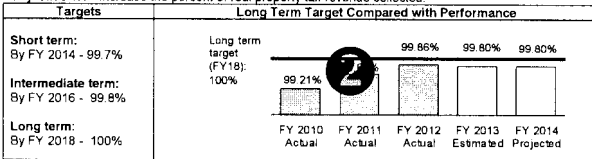
**Service Delivery Plan and Performance**

Below is a sample page for the next section, Service Delivery Plan and Performance, which provides the agency's strategic plan and service delivery performance. In some cases, an agency may or may not have all of the information illustrated below.

**SERVICE DELIVERY PLAN AND PERFORMANCE**

**GOAL 1** - To provide revenue collection and investment services to County agencies in order to obtain the funds to support County services.

**Objective 1.1** - Increase the percent of real property tax revenue collected.



**Trend and Analysis** - The Office of Finance is responsible for collecting the County's real and personal property taxes. Real property tax is the largest tax revenue for the County. The number of tax payments processed decreased by 19% from FY 2010 to FY 2012 due to economic downturn. The sales of tax lien certificates are a tax collection technique to receive payment of delinquent taxes by auctioning liens against a property. While the number of sales varies, the sale of tax liens mitigates the loss of revenue collected. The major driver in collecting taxes is the condition of the economy.

**Performance Measures**

Measure Name	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimated	FY 2014 Projected
<b>Resources (input)</b>					
Number of revenue collection staff	24	23	22	23	23
<b>Workload, Demand and Production (output)</b>					
Number of tax payments processed	568,545	456,542	460,655	490,000	480,000
Number of tax sale certificates processed	3,741	3,412	2,744	3,000	3,000
Percent of tax lien certificates sold to purchasers	96.0%	94.0%	96.0%	96.0%	96.0%
Amount of revenue collected through online banking services (in millions)	\$22.70	\$26.40		\$30.00	\$32.00
<b>Efficiency</b>					
Average number of tax payments processed per staff member	23,689.4	19,849.7	20,936.0	20,217.0	19,583.0
<b>Quality</b>					
Percent of tax bills successfully delivered to taxpayers	97%	96%	96%	96%	96%
<b>Impact (outcome)</b>					
Percent of real property taxes collected	99.21%	99.60%	99.86%	99.80%	99.80%
Percent of personal property taxes collected	95.40%	95.80%	96.79%	95.50%	95.50%

**Strategies to Accomplish the Objective**

- Strategy 1.1.1 - Promote and expand payment options to taxpayers
- Strategy 1.1.2 - Partner with the County law to review complex deeds and deeds of transfer documents to ensure legal compliance and that the appropriate transfer and recordation taxes are collected

- **Section 1: Goal** - A statement that defines the intended impact of each service on the defined customers and how the agency will achieve its mission.
- **Section 2: Objective** - Each goal has one or a set of objectives that define the quantitative impact of the goal for short-, intermediate- and long-term targets. Below the objective is a bar graph with multi-year information that illustrates the actual and projected service performance compared with the service's long-term target.
- **Section 3: Trend and Analysis** - A summary and explanation of performance trends, increases and decreases in data found in each table of performance measures.

- **Section 4: Performance Measures** - For each objective, there is a supporting table of actual, estimated and projected measures for the period of 2010 - 2014 for the fiscal year (FY) or calendar year (CY). Estimated performance measures are based on the most recent review of year-to-date data and relevant trends and conditions. Projected performance measures consider the impacts of funding decisions in this budget, historical trends and known variables. The performance measures provide a quantitative picture of the objective's resources (input measures), workload, demand and production (output measures), efficiency, quality and impact (outcome measures) as the result of past, present and future resource allocations. Please note that in some cases performance measures may not have data for all years due to availability.

- **Section 5: Strategies to Accomplish the Objective** - A list of approaches the agency has implemented to facilitate accomplishing the objective's short-, intermediate- and long-term targets.

**FY 2013 KEY ACCOMPLISHMENTS**

Following the Service Delivery Plan and Performance section is a highlighted list of the agency's FY 2013 achievements.

**ORGANIZATIONAL CHART**

The next section in the budget book is the Organizational Chart. This chart illustrates the core divisions and/or functional areas of the agency.

**FUNDS SUMMARY**

Following the Organizational Chart is a Funds Summary that illustrates the General Fund and the other funds' budgets for this agency. These figures, as well as the percentage change from the current budget, are given for the agency as a whole and for each unit of the agency.

**STAFF SUMMARY**

The Staff Summary page illustrates the agency's positions by type of employee (full-time, part-time, limited term) and funding source. The approved FY 2014 staffing is compared to the previous year's level. Limited term staff are employed under renewable personal service contracts for periods not exceeding one year. They serve in operations where continued funding is not assured from year to year. Although limited term personnel are

employed predominantly in grant programs, a small number of these employees are funded in the General Fund, commonly from non-County revenues. The staff summary also includes a chart titled "Positions by Category". The categories are tailored to each agency. For example, the Police Department's positions by category includes the FY 2014 number of funded sworn police officer positions broken into categories such as investigators and patrol officers, front-line supervisors (sergeants and lieutenants), police officials (captains and majors), and the various types of civilian positions (crossing guards, evidence technicians, etc.).

### **FIVE YEAR TRENDS**

Charts summarizing Five Year Trends for expenditures and staffing are provided next. The expenditure chart details actual spending from FY 2010 - FY 2012, budgeted funds for FY 2013 and the approved appropriation for FY 2014. The Full Time Staff table reflects the budgeted complement for all funds.

### **GENERAL FUND**

A summary of the General Fund allocation for the agency and its major divisions is presented next. The General Fund Summary identifies budgeted amounts for compensation, operating expenses, capital outlay, recoveries and fringe benefits. Descriptions of major cost elements, recoveries, key changes and other considerations affecting the agency's general fund budget also are provided in this section, along with a chart that highlights the major types of operating expenses included in the agency's FY 2014 approved General Fund budget. In addition, this section includes a chart showing fringe benefits costs as a percentage of compensation costs over a three-fiscal-year period. Please note this chart is a simple division of compensation and fringe costs which may vary from the applied fringe rate to individual employees.

For agencies that are subdivided into major divisions or activities, pages summarizing each activity are presented next. An activity page focuses on the expenditures and positions supported by a single fund (usually the General Fund). Each activity page includes a brief description of the responsibilities of the activity and a three-fiscal-year summary of activity expenditures broken down by compensation, fringe benefits, operating expenses, capital outlay and recoveries. Full-time, part-time and limited term

staffing levels for the current and budget years are also illustrated and percentage changes comparing FY 2014 approved expenditure and staffing levels with prior year levels are included.

### **OTHER FUNDS - INTERNAL SERVICE, ENTERPRISE AND SPECIAL REVENUE**

If an agency receives funding from other sources such as internal service, enterprise or special revenue funds, this information is presented after the General Fund (refer to Funds Included in the Operating Budget below for definitions and explanations for these funds). To properly illustrate and account for these funds, a description, major cost summary, and expenditure details are provided in the Other Funds section.

### **GRANTS**

If an agency receives grant funds, a grant section is also included within the agency budget pages following previously described sections. For grants, an Expenditure Summary Chart is included to display compensation, fringe benefits, operating expenses and capital outlay for three fiscal years. In some cases the grant program year may not parallel the County fiscal year. The Staff Summary by Division and Grant Program Chart displays the number of staff positions supported by grant funds comparing FY 2014 with prior year data.

The Grants by Division Summary Chart illustrates the spending amounts by budget year for each grant administered by the agency, including the dollar and percentage change. This chart will only illustrate grant awards made directly to the agency. It does not reflect sub-grant awards an agency may receive from another County agency. This allows the agency to accurately detail its program activities without overstating the grant revenue received by the County. Therefore, the associated grant total is captured within the lead agency grant appropriation and not in the grant appropriations of the subcontracting County agency.

### **FUNDS INCLUDED IN THE OPERATING BUDGET**

To budget and account for government receipts and expenditures, the County establishes various "funds" within the operating and capital budgets. Fund accounting is required by State and federal regulations, County Charter, and the Generally Accepted Accounting Principles (GAAP). The operating budget uses five major types of funds: the General Fund, internal service funds,

enterprise funds, special revenue funds and grant program funds.

### **GENERAL FUND**

The General Fund is the largest operating fund, accounting for approximately 83% of the operating budget. This fund supports the majority of County government services—police, fire, corrections, the courts, education, general government, college, library, etc. Most of the public's tax dollars are part of the General Fund, including most user charges, license and permit fees, and certain dedicated and non-dedicated revenues from the State and Federal governments.

### **INTERNAL SERVICE FUNDS**

Internal service funds are used to finance, administer and account for the provision of goods or services by one agency to another within the County government. Internal service funds in the County are described below.

#### **Fleet Management Internal Service Fund**

The Fleet Management Internal Service Fund accounts for fees charged to agencies by the Fleet Management Division of the Office of Central Services. Agencies are charged for the repair and maintenance of vehicles owned and operated by the County.

#### **Information Technology Internal Service Fund**

This fund in the Office of Information Technology accounts for the operations of the County's data processing and computer services. Agencies pay user charges to the Information Technology Internal Service Fund for office automation equipment, use of the office automation network, system maintenance and other services provided by the data processing contractor.

### **ENTERPRISE FUNDS**

Enterprise funds are used to account for certain public services that are self-supporting by generating their own revenues from fees, charges and other receipts. The County's enterprise funds are described below.

#### **Stormwater Management Enterprise Fund**

The Stormwater Management Enterprise Fund is used to account for and support the County's stormwater management functions (flood plain and storm drain maintenance, rehabilitation and repair of flood channels, permit issuance, etc.), which were transferred from the Washington Suburban Sanitary Commission (WSSC) in FY

1988. The fund is supported by a stormwater management ad valorem tax of 13.5 cents per \$100 of assessed value for personal property (3.0 cents per \$100 in some areas) and 5.4 cents per \$100 of assessed value for real property (1.2 cents per \$100 in some areas) plus revenues from permit fees and interest income. The fund is administered by the Department of Environmental Resources (DER).

#### **Solid Waste Enterprise Fund**

This fund supports a variety of environmental, recycling and solid waste collection and disposal services. These include the development, operation and maintenance of the County's landfills; bulky trash collection, roadside cleanup and abandoned vehicle control; refuse disposal activities; the recycling program; housing code enforcement and various environmental planning, management and capital construction activities. The fund is also used to account for and administer revenues and expenditures associated with residential and commercial refuse collection.

The Solid Waste Enterprise Fund is supported by revenues from several sources including charges to property and business owners for recycling, bulky trash collection, certain capital and other non-operating expenses associated with solid waste disposal; tipping fees and related assessments charged for the use of the Brown Station Road Landfill; abandoned vehicle recoveries; recoveries from property owners under the Clean Lot Ordinance and fees paid by property owners for commercial and residential refuse collection services. The fund is administered by the DER.

#### **Local Watershed Protection and Restoration Fund**

The FY 2014 approved budget introduces a new stormwater remediation fund. This new fund is established through CB-45-2013 in accordance with the provisions of House Bill 987 creating the Watershed Protection and Restoration (WPR) Program. The County Council establishes the authority and agency responsibilities needed to administer the WPR program. Through the establishment of a new stormwater remediation fee, the County will be able to meet its long-term State and Federal mandates for water quality improvement.

The approved budget recommends that the DER manage the new program. The agency will (1)

establish a fee structure and enforcement of fee collection; (2) administer guidelines for application, approval and appeal; (3) administer a credit program for on-site systems; and (4) adopt procedures for monitoring and annually verifying the effectiveness of on-site systems. DER estimates revenues to be approximately \$8 million for FY14.

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for special taxes or other dedicated revenues the Maryland General Assembly or the County Council requires to be used for a specialized purpose and which must therefore be kept separate from other County monies. The County's special revenue funds are described below.

#### **Debt Service Special Revenue Fund**

The Debt Service Special Revenue Fund provides for the payment of interest, principal and service charges on the County's general obligation bonds and State participation loans. This fund is illustrated in the Non-Departmental section.

#### **Collington Center Special Revenue Fund**

The Collington Center is a County-owned business park of approximately 1,280 acres located on U.S. Route 301. This fund accounts for revenue generated from the sale of property within the Collington Center and the finance costs incurred from managing the fund. This fund is located in the Office of Central Services.

#### **Property Management Services Special Revenue Fund**

This fund accounts for receipts and costs from the disposition of surplus real property by the County. This fund is located in the Office of Central Services.

#### **Domestic Violence Special Revenue Fund**

The Domestic Violence Special Revenue Fund is used to account for the proceeds of a marriage license surcharge collected to assist in financing battered spouse shelters and domestic violence programs. The fund also receives a contribution from the General Fund to support contracted shelter services. This fund is administered by the Department of Family Services.

#### **Drug Enforcement and Education Special Revenue Fund**

This fund supports the costs of drug enforcement and drug related education activities within the

County. Revenue is generated from the forfeiture and sale of property seized as a result of drug enforcement activities. The available funds are distributed by the Police Department based on federal regulations.

#### **Economic Development Incentive (EDI) Special Revenue Fund**

This fund (an initial \$50 million investment) tracks financial assistance (loans, guarantees, and grants) provided to existing and potential industrial and commercial businesses in the County. The primary goal of the fund is to create and retain jobs, broaden the local tax base, promote economic development opportunities, and assist in the retention of existing businesses and the attraction of new businesses.

### **GRANT PROGRAM FUNDS**

The County receives a variety of funds from State, federal and foundation grants. These grants are awarded to the County to support a range of programs and services. For agencies that utilize and/or administer grant programs, the funding levels, expenditures and staffing are explained, detailed and accounted for in their respective agency budget pages.

### **BUDGETARY BASIS**

The modified accrual basis of accounting is followed in the general, special revenue, debt service, capital projects, expendable trust and agency funds. Under this method of accounting, revenues are recognized in the accounting period in which they become available and measurable (i.e., the funds are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period). Taxes, uses of money and property, charges for services, intergovernmental and miscellaneous revenue are recognized when earned, with the exception of interest and penalties on property tax payments which are recognized when cash is received. With respect to property tax revenue, the County defines "available" to mean collectible within sixty days after the fiscal year's end. Expenditures are recorded as liabilities when incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is followed in the enterprise, internal service and pension trust funds. Under this method of accounting, revenue is

recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

The account that serves the function of the owner's equity account in a profit-making organization is called the "fund balance" in government entities. An available balance in this account is the cumulative result of actual revenues exceeding expenditures. The fund balance for the General Fund can either be designated for future years (e.g., as a contingency reserve or for a subsequent year's expenditure) or it can remain undesignated. Audited or final fund balances are not known until about five months after the end of the fiscal year.

While the above definition of "fund balance" is used for the ending balances shown in the General Fund and special revenue funds, somewhat different definitions are used in connection with internal service and enterprise funds. The ending balance for an internal service fund corresponds to net assets. On the other hand, the ending balance shown for an enterprise fund corresponds to the sum of available cash and cash equivalents. The ending balance takes into account net operating revenues and expenditures and increases based on bond proceeds, offset by capital expenditures and by funds that must be held in reserve for future obligations.

Unless otherwise noted, the budgetary basis is used in this document when referring to the fund balance for the General Fund. Although the budgetary basis is clear, convenient and widely used, it differs somewhat from the fund balance computed according to GAAP. The budgetary basis differs from GAAP by excluding encumbrances, inventories and designated expenditures for non-general fund purposes (e.g. certain equipment expenditures). In particular, the budgetary basis treats reserves for encumbrances that have not yet materialized by June 30 as expenses; instead GAAP illustrates this as a reservation of fund balance. Inventories are booked as an asset on the balance sheet and a reservation of fund balance under GAAP; they are reflected as an expense at the time of purchase under the budgetary basis. Under GAAP, certain purchase agreements for acquiring equipment are recorded as restricted assets. Related proceeds are shown as another financing source with a reservation for future years on the

balance sheet. Under the budgetary basis, annual payments to retire leases are shown as an expense to the General Fund and the proceeds are not counted as revenue.

### **SEMI-AUTONOMOUS AGENCIES**

Agencies whose operating budgets are approved directly by the County Executive and adopted by the County Council are included in this document. There are several semi-autonomous agencies whose operating budgets are not included in the County budget document. Certain semi-autonomous agencies also are not included in the County's CIP. The accompanying table lists the semi-autonomous agencies and indicates whose budgets are not included in the County's budget documents.

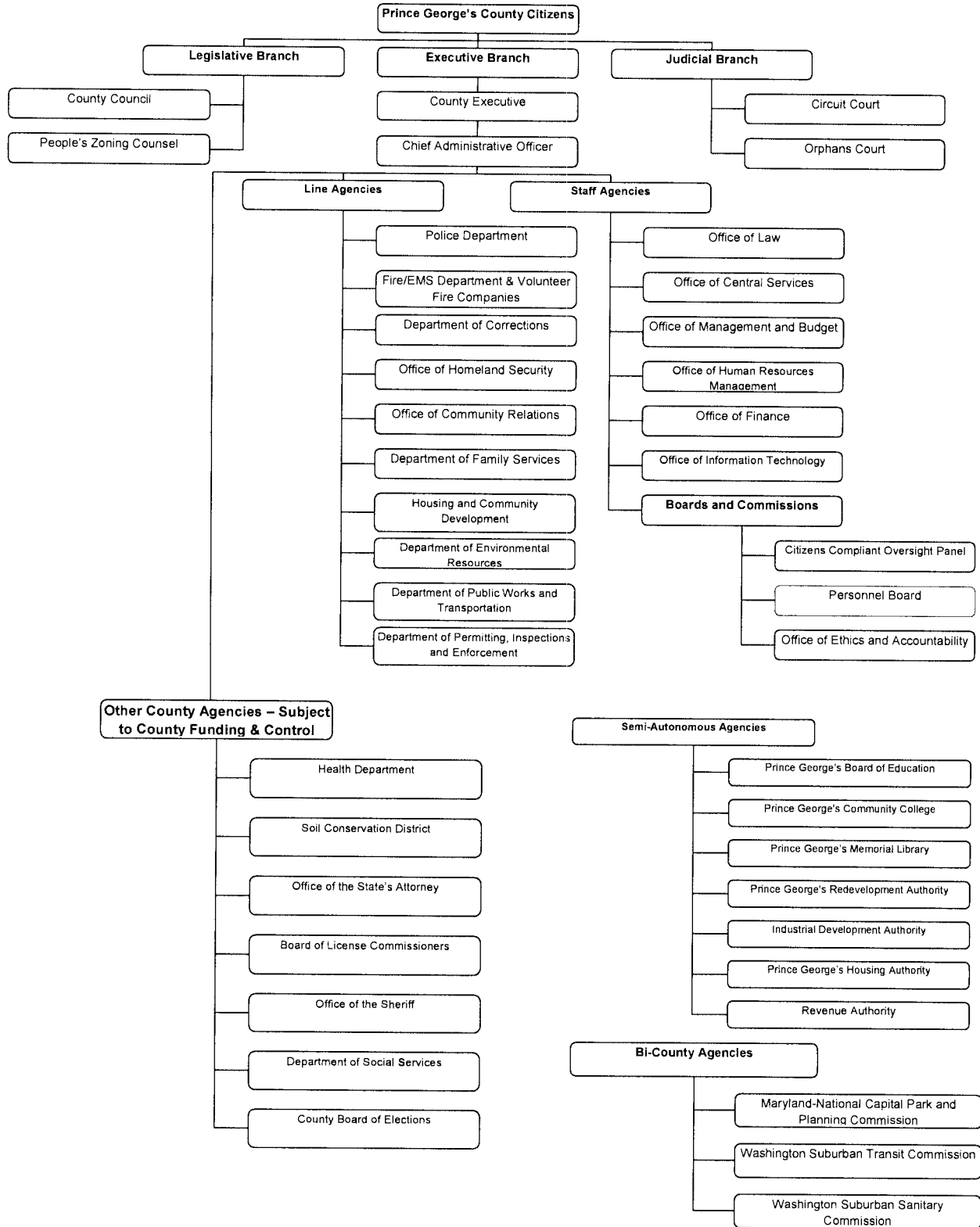
The Maryland National Capital Park and Planning Commission (M-NCPPC), the Washington Suburban Sanitary Commission (WSSC) and the Washington Suburban Transit Commission - Washington Metropolitan Area Transit Authority (WSTC-WMATA) do not receive any of their funding from County General Fund revenues and prepare separate operating budget documents. Their operating budgets are not included in the County budget, nor are the WSSC's or WSTC-WMATA's capital budget included in the County CIP. However, the County Executive reviews and makes recommendations to the County Council on each of the budgets approved by these agencies. The Council must then approve these budgets (or the portions affecting Prince George's County).

The Board of Education, Memorial Library and Community College are all financed at least in part from County General Fund revenues and their operating and capital budgets are included in the County's budget. In addition, the Board of Education prepares a separate operating budget document that describes the Board's spending plan in detail.

Semi-Autonomous Agency	Receives General Fund Revenue	Operating Included in County Document	Prepares Separate Budget Document
WSTC-WMATA*	No	No	Yes
Board of Education	Yes	Yes	Yes
Community College	Yes	Yes	No
Library	Yes	Yes	No
M-NCPPPC	No	No	Yes
WSSC*	No	No	Yes
Industrial Development Authority	Yes	Yes	No
Redevelopment Authority	Yes	Yes	Yes
Housing Authority	No	Yes	Yes
Revenue Authority	No	Yes	Yes

\*Also prepares separate capital budget document.

# PRINCE GEORGE'S COUNTY GOVERNMENT ORGANIZATIONAL CHART





## COUNTY GOVERNMENT ORGANIZATION

Prince George's County operates under a "home rule" charter which was adopted in November 1970. Under the Charter, the County is composed of an executive and a legislative branch. The judicial branch is established by the Constitution and laws of the State of Maryland.

### **Executive Branch**

The Executive Branch enforces the laws and administers the day-to-day business of the County. It consists of a County Executive (elected by the qualified voters of the entire County) and all other officers, agents and employees under the County Executive's supervision and authority, including the Chief Administrative Officer who is responsible for the day-to-day administration of the County. Deputy Chief Administrative Officers (DCAOs) report to the Chief Administrative Officer and are assigned functional responsibilities for groups of agencies. The DCAOs are not shown on the organizational chart on the prior page to avoid complicating the presentation.

### **Legislative Branch**

The Legislative Branch of the County consists of a nine-member County Council (elected by Councilmanic District) and its staff. The Charter limits the County Executive and the members of the County Council to two consecutive four-year terms in office.

### **Judicial Branch**

The Judicial Branch of government at the local level consists of the Circuit Court and the Orphans' Court (which oversees the probate of decedents' estates, as well as the appointment and supervision of guardians for minors).

In Prince George's County, the County Executive and the County Council propose and approve the operating budgets of the Circuit and Orphans' courts. (However, the State provides funding for the Circuit Court judges, their law clerks, the Clerk of the Court and certain other Circuit Court expenses). The District Court is a State entity funded entirely by the State of Maryland.

## THE BUDGET PROCESS

The development of the operating budget involves three distinct phases: formulation of agency budget requests, executive review and proposal,

and County Council review and adoption. The development of the capital budget involves a slightly different process and timing. The procedures used in preparing both the operating and capital budgets are summarized below. In addition, the capital budget document contains a detailed description of the capital budgeting process.

### **OPERATING BUDGET PROCESS**

The operating budget is prepared over a ten-month period beginning in August and ending in May of the next calendar year.

The operating budget process is impacted by the following:

- **Spending Affordability Committee** - In 1997, a Spending Affordability Committee (SAC) composed of five members was established under County legislation. This committee makes preliminary recommendations before October 1 of each year on spending affordability and ways to improve budgetary and financial procedures and policies. Final reports on these spending affordability guidelines are submitted on or before January 1 to incorporate recommendations into the budget development and review process.
- **Performance Management/CountyStat** - As part of the County's performance management system, and the leadership's commitment to data-driven decisions to accomplish the countywide vision, strategic planning and performance-informed budgeting has a significant role in the operating budget process. Refer to the Strategic Policies section for more information.

The sequence of events is as follows:

#### **August-December - Formulation:**

- In August of each year, the Director of the Office of Management and Budget briefs the County Executive and the Chief Administrative Officer on the financial outlook for the upcoming as well as successive fiscal years.
- At the beginning of October, the Spending Affordability Committee presents its preliminary revenue projections.
- Based on this, the Office of Management and Budget presents the County Executive with a

recommendation for a preliminary budget target. The County Executive then determines the parameters for the entire County budget. The Office of Management and Budget uses this target to develop the budget instructions that are issued to agencies, usually in early October.

- In October and November, agency heads assess their needs by reviewing and evaluating their performance data, strategic plans and expenditure trends; prepare their operating budget request; and submit it to the Office of Management and Budget by the middle of November.

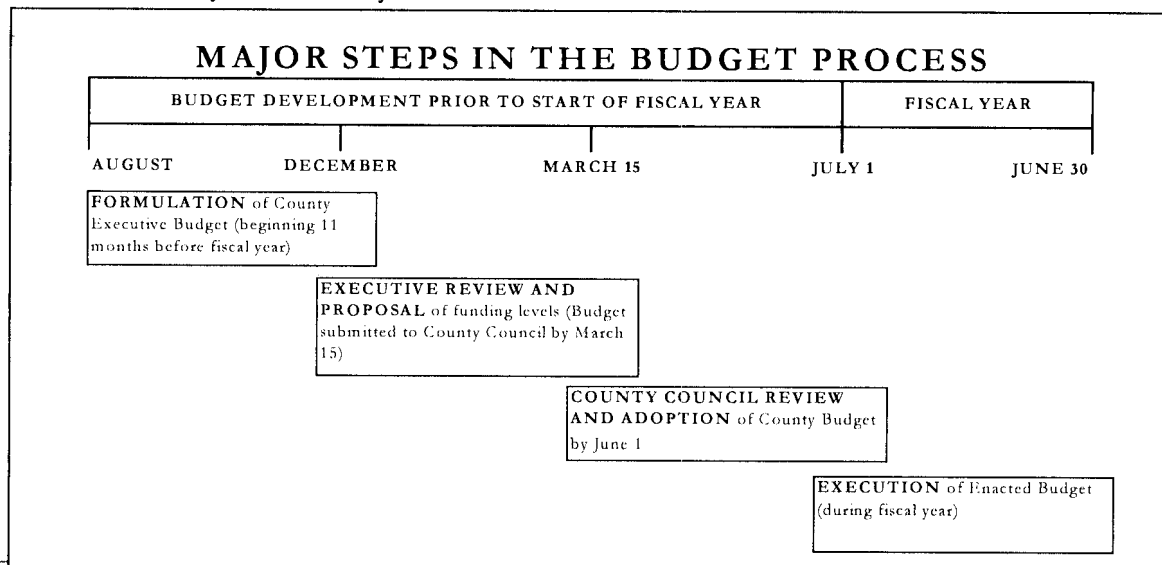
**December-March - Executive Review and Proposal:**

- The Spending Affordability Committee presents its final report at the end of December.
- Budget requests are reviewed and evaluated by the Office of Management and Budget staff during the months of December and January. Initial funding recommendations take into consideration available funding, agency performance, ability to accomplish the agency's strategic plan and county-wide vision and historical expenditures.
- Meetings are held between agencies and the Office of Management and Budget to review and discuss budget submissions.
- The County Executive holds at least one public hearing on the budget during the months of January and February.

- The County Executive meets with agency directors and the Office of Management and Budget staff to determine specific funding levels to be contained in the operating budget.
- The County Executive submits an approved operating budget to the County Council no later than March 15.

**April-May - County Council Review and Adoption:**

- County Council staff review the approved operating budget and program with staff from the Office of Management and Budget and departmental representatives.
- The County Charter requires the County Council hold at least two public hearings on the approved operating budget.
- The County Council committees and staff review the approved operating budget with the Office of Management and Budget staff and departmental representatives.
- The County Council committees complete their agency reviews by the middle of May and present their recommendations to the full County Council. The County Council must adopt the annual budget and appropriations ordinance before June 1. The adopted ordinance is submitted to the County Executive for signature.
- The approved operating budget takes affect on July 1, the beginning of the fiscal year.



### **Budget Process (continued)**

Formulation of the approved operating budget involves a number of planning processes in addition to those described above. The financial plans presented to the New York bond rating agencies each year establish a number of guidelines important in shaping the coming year's budget. The Ten Year Water and Sewer Plan (which guides development activity within the County and is updated annually) influences several aspects of the budget. Planning for the capital budget also affects decisions on the operating budget, as described later in this section.

### **CAPITAL BUDGET AND PROGRAM PROCESS**

The development of the Capital Budget and the six-year CIP is analogous to that of the operating budget. Three phases are included: formulation of capital budget requests, executive review and proposal, and County Council review and adoption. Each of these is described below.

#### **August-September - Formulation:**

- In August of each year, the Director of the Office of Management and Budget issues policy guidance and instructions to agencies and departments based upon the County Executive's priorities and the County's financial ability to issue new debt.
- During the month of September, agency directors assess their department's capital needs, relying upon prior planning studies and documents, functional plans, the Public Land and Facilities Inventory and the Public Facility Development Program prepared by the Maryland-National Capital Park and Planning Commission. Facility requests are programmed over the six-year capital program period, in keeping with departmental priorities and fiscal guidelines. Submissions are due to the Office of Management and Budget by October 1 of each year.

#### **October-March - Executive Review and Proposal:**

- Capital budget program requests are reviewed by the Office of Management and Budget staff between October and January. Discussions are held between agencies and the Office of Management and Budget to ensure conformance with fiscal guidelines, development studies and the County Executive's commitments.

- The Office of Management and Budget presents recommendations to the Chief Administrative Officer and the County Executive regarding the composition of the capital budget and program, reformulating agency submissions when necessary to conform to financial guidelines regarding debt issuance.
- The County Executive submits the approved capital budget and six-year CIP to the Council no later than March 15.

#### **April-May - County Council Review and Adoption:**

- County Council staff review the approved capital budget and program with staff from the Office of Management and Budget and departmental representatives.
- The County Council is required to hold two public hearings on the approved operating budget and capital budget.
- The County Council, sitting as the Committee of the Whole, completes its review of the capital budget and program by the middle of May. The County Council must adopt the annual budget and appropriations ordinance before June 1. The adopted ordinance is submitted to the County Executive for signature.
- The approved capital budget takes effect on July 1, the first day of the new fiscal year.

### **BUDGET AMENDMENT PROCESS**

An agency may transfer its own funds internally from one character (spending category) to another with the approval of the County Executive. There is a \$250,000 threshold for County Council approval on such agency transfers. Budget amounts cannot be transferred from one agency to another except by County Council Legislative Act (generally a resolution) upon the recommendation of the County Executive.

Grant funds, which were not included in the approved budget, can be added to agency budgets by County Council resolution. Any other supplementary appropriations that are needed require the recommendation of the County Executive and the adoption of a Council bill,

which requires the Council to hold a public hearing on the proposal. Amendments to the total appropriation of the capital budget beyond the approved amount may be made by a two-thirds affirmative vote on a Council bill.

The County Council can adjust revenue estimates by an increase or decrease of no more than 1.0%.

### **RELATIONSHIP BETWEEN THE CAPITAL AND OPERATING BUDGETS**

The capital and operating budgets affect each other in a number of ways. The amount of debt that can be supported by the operating budget helps determine the value of the bonds that can be sold in any given fiscal year. Operating budget resources as governed by the County's revenue and by its budget stability and debt management policies, determines the level and composition of the County's capital budget. The County's debt policy contains guidelines to help the County stay within a sound fiscal framework despite year-to-year variations in the amount of resources available for debt service.

Capital budget decisions affect the operating budget in several ways. First and foremost is the amount of operating budget revenue that must be used to provide for debt service payments on any general obligation bonds sold to fund capital projects. A key element of the County's debt management policy is to restrict General Fund debt service to 8.0% or less of the County's total General Fund Operating Budget to ensure that debt service payments will not overburden operating resources. The County will continue to be well within these guidelines in the coming fiscal year.

A second potential impact of the capital budget on the operating budget is the possible appropriation of General Fund revenues for transfer to the capital fund. Although the majority of capital projects are funded through the sale of general obligation bonds, the County can fund a capital project from general fund operating revenues, generally using the County's fund balance.

The third impact the capital budget has on the operating budget is the operating and maintenance costs associated with completed facilities. The greatest operating impacts occur with a new facility, such as the opening of a new branch library. In such instances, costs relating to new professional staff, new maintenance and

support staff and additional operating and utility expenses must all be included in the operating budget.

Other types of capital projects may have a relatively small impact on the operating budget. Renovations rarely increase operating costs much, if at all. Road, storm drainage and other infrastructure projects do not normally result in the need for additional costs. However, when such projects reach a critical mass, additional maintenance staff is needed and at some point in the future, resurfacing and other expensive maintenance activities will be required.

Capital expenditures can also have positive impacts on the operating budget. For instance, infrastructure maintenance funded through the capital budget can result in substantial operating budget savings. An example is the resurfacing of roads using capital budget fund which usually reduces the need for temporary repairs of potholes and other maintenance funded from the operating budget. Likewise, the renovation of an old facility will usually result in lower maintenance or operating costs for that facility.