

Appendix B

Appendix B includes the following reference information relating to the Fiscal Year 2020 Approved Operating Budget:

Table of Strategic Linkage 697

Table of Supplementals 705

Spending Affordability Committee Report 707

TABLE OF STRATEGIC LINKAGE

Agency	Agency Goals	Cross-Agency Organizational Goals						
		SN	LE	ER	ED	TI	YD	PG
Ethics	GOAL 1 - To provide comprehensive services regarding of allegations of waste, fraud, abuse and illegal acts in County government and make necessary recommendations to executive and legislative officials.							X
Ethics	GOAL 2 - To promote disclosure of the outside business and monetary interests of County government employees/officials and real-time notice of lobbying activity directed towards County government.							X
Circuit Court	GOAL 1 - To provide legal forums to all those brought before the County in order to ensure fair, just and timely resolution of legal disputes.	X						
Orphans Court	GOAL 1 - To monitor the property of a deceased resident of the County in order to carry out the wishes of the decedent and to ensure distribution to the beneficiaries.		X					
Orphans Court	GOAL 2 - To provide protection of children’s assets until they are legally adults (18 years of age) in order to ensure proper monetary distribution for their short-term and long-term needs.		X					
State’s Attorney	Non-participating agency							
Personnel Board	GOAL 1 - To provide oversight of the County’s classified system to County merit employees in order to effectively mitigate violations of their rights.							X
Finance	GOAL 1 - To ensure optimal revenue collection, financial and investment services are provided to County stakeholders in order to effectively obtain the funds to support County services.							X
Finance	GOAL 2 - To provide management/advisory services and training to County agencies in order to minimize the County’s risk exposure.							X
Finance	GOAL 3 - To provide funds disbursement operations to County agencies in order to pay County obligations.							X
Finance	GOAL 4 - To provide debt management services to ensure that County Government has access to low-cost borrowing for long-term investments in infrastructure, facilities, equipment and technology.							X
Citizen Complaint Oversight Panel	GOAL 1 - To provide evaluation and monitoring of Police Department misconduct investigations for County residents and visitors in order to ensure the investigations of misconduct complaints are thorough, impartial and resolved appropriately.	X						X
Community Relations	GOAL 1 - To provide constituent services to residents and businesses in order to resolve complaints, questions and community concerns.		X					X

LEGEND: CROSS-AGENCY ORGANIZATIONAL GOALS

Safe Neighborhoods [SN]	Quality of Life and Environment [LE]	Education Reform [ER]	Proficient and Transparent Government [PG]
Economic Development [ED]	Transportation and Infrastructure [TI]	Youth Development [YD]	

TABLE OF STRATEGIC LINKAGE

Agency	Agency Goals	Cross-Agency Organizational Goals						
		SN	LE	ER	ED	TI	YD	PG
Community Relations	GOAL 2 - To provide mediation services to County residents and businesses in order to facilitate resolution of community disputes and civil rights discrimination complaints.		X					X
Community Relations	GOAL 3 - To provide community outreach to individuals, businesses, constituency groups and non-profit service providers in order to communicate information about County programs and services to the public.		X					X
Management and Budget	GOAL 1 - To provide sound financial planning and monitoring of agency operations and expenditures in order to improve the fiscal health of County Government.							X
Management and Budget	GOAL 2 - To provide analysis of agency operations and services in order to improve the effectiveness and efficiency of service delivery.	X	X		X	X		X
License Commissioners	GOAL 1 - Increase compliance with alcoholic beverage laws, rules and regulations.	X						X
License Commissioners	GOAL 2 - Improve administration of the application review and hearing process.	X						X
Law	GOAL 1 - To provide legal representation and advice to the County Executive, the County Council and County agencies in order to reduce the County's exposure to legal liability.							X
Human Resources	GOAL 1 - To ensure agencies have a diverse, highly qualified, healthy and productive workforce to deliver services effectively.							X
Human Resources	GOAL 2 - To provide human capital management services and policy guidance to County agencies in order to ensure an effective workforce.		X				X	X
Human Resources	GOAL 3 - To review and administer the retiree pension and benefit programs with a strategic focus on identifying reforms to improve the sustainability of the pension benefits for employees.							X
Information Technology	GOAL 1 - Reduce costs and eliminate inefficiencies through IT solutions.							X
Information Technology	GOAL 2 - Provide IT support and maintenance.							X
Information Technology	GOAL 3 - Provide a secure enterprise.							X
Elections	GOAL 1 - To provide election services to citizens to ensure all eligible citizens have an opportunity to vote in a primary or general election.							X

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Agency	Agency Goals	Cross-Agency Organizational Goals						
		SN	LE	ER	ED	TI	YD	PG
Soil Conservation	GOAL 1 - To provide urban land grading and erosion and sediment control planning services to the County's citizens and residents in order to protect the County's water quality and against adverse impacts associated with sediment pollution.				X	X		
Soil Conservation	GOAL 2 - To provide agricultural assistance services to the County's citizens and residents in order to protect the County's water quality.				X	X		
Soil Conservation	GOAL 3 - To provide rural land preservation assistance services to citizens and residents in order to protect agricultural land in the County.				X	X		
Central Services	GOAL 1 - To provide assistance to County-based and minority businesses in order to increase supplier diversity, build capacity and foster economic development.				X			X
Central Services	GOAL 2 - To provide facilities management services at County-owned facilities to all users in order to achieve safe, well-maintained facilities and support daily operations.							X
Central Services	GOAL 3 - To provide fleet management services to County agencies and municipalities in order to support the County's transportation needs.	X						X
Central Services	GOAL 4 - To provide inventory management to all County agencies in order to account for all County assets.							X
Central Services	GOAL 5 - To provide reproduction and mail services to County agencies and citizens in order to support the County's primary operating needs.							X
Central Services	GOAL 6 - To provide real property management to the County in order to ensure efficient and effective use of office space and land.							X
Family Services	GOAL 1 - To provide information, referral and assistance services to County residents in order to improve access to quality services.	X	X					
Family Services	GOAL 2 - To provide intervention services for at-risk youth in order to facilitate child and family well-being.	X	X	X			X	
Family Services	GOAL 3 - To provide home-based and community-based services to older adults and individuals with disabilities in order to enable them to improve their independence and well-being.		X					
Family Services	GOAL 4 - To provide support and shelter services to victims of domestic abuse and reduce domestic violence encounters to facilitate child and family well-being.	X	X					
Police	GOAL 1 - To provide uniform patrol services to the County's residents, visitors and businesses in order to mitigate crime.	X						

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		SN	LE	ER	ED	TI	YD	PG
Police	GOAL 2 - To provide emergency police response services to the County's residents, visitors and businesses in order to improve response times and mitigate crime.	X						
Police	GOAL 3 - To provide investigative services to the County's residents, visitors and businesses in order to improve case closures and mitigate crime.	X						
Police	GOAL 4 - To provide traffic enforcement services to patrons, business owners and residents of Prince George's County in order to protect the quality of life.	X						
Fire/ Emergency Medical Services	GOAL 1 - To provide emergency medical services to County residents and visitors in order to reduce deaths and injuries from medical emergencies and traumatic events.	X						
Fire/ Emergency Medical Services	GOAL 2 - To provide fire suppression services to County residents and visitors in order to reduce death, injury and property losses from fire emergencies.	X						
Fire/ Emergency Medical Services	GOAL 3 - Provide fire inspection, fire investigation and community affairs services to County residents and visitors in order to minimize fire deaths, injuries and property damage.	X						
Environment	GOAL 1 - To provide water quality improvement to improve water quality conditions in the County's watersheds to address flooding issues.		X			X		
Environment	GOAL 2 - To enhance management of waste as a valued commodity while further improving collections, recycling, diversion and customer service through resource recovery.		X		X			
Environment	GOAL 3 - To provide animal management and adoption services to County residents and citizens to ensure the safety and welfare of animals in the County.		X					
Sheriff	GOAL 1 - To provide security services to the courts in order to ensure public safety during the legal process.	X						
Sheriff	GOAL 2 - To provide service to victims of domestic violence in a safe, timely and efficient manner.	X	X					
Sheriff	GOAL 3- To provide service of criminal and civil process in a safe, timely and efficient manner.	X						
Corrections	Goal 1 - To provide inmate rehabilitative and reentry services.	X	X		X			

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Corrections	Goal 2 - To provide diversionary and alternative-to-incarceration programs.	X	X		X			
Corrections	Goal 3 - To promote a healthy and safe workplace environment.	X						
Homeland Security	GOAL 1 - To provide 9-1-1 call processing within established State goals and to provide timely, effective and efficient public safety dispatch services to ensure the safety of citizens and public safety first responders.	X						
Homeland Security	GOAL 2 - To strengthen emergency management and disaster preparedness throughout the County.	X			X			
Public Works and Transportation	GOAL 1 - To provide roadway and rights-of-way infrastructure improvements and maintenance services for the safe movement of pedestrians and motorists on County roadways.		X			X		
Public Works and Transportation	GOAL 2 - To provide litter removal services to the traveling public in order to ensure the roadways are aesthetically pleasing.		X			X		
Public Works and Transportation	GOAL 3 - To provide safe, efficient and accessible public transit services to all users to enhance quality of life.		X		X	X		
Public Works and Transportation	GOAL 4 - To provide stormwater management services to residents and businesses in order to protect property from flooding damage.				X	X		
Permitting, Inspections, and Enforcement	GOAL 1 - To provide for site, road and building sustainability services for new construction and alteration of residential/commercial buildings and properties.				X	X		X
Permitting, Inspections, and Enforcement	GOAL 2 - To provide for sustainability of existing residential and commercial properties through inspection and enforcement to ensure properties in the County are in compliance with established regulations.				X	X		X
Permitting, Inspections, and Enforcement	GOAL 3 - To provide for the timely issuance of licenses in compliance with the County Code.		X			X		
Health	GOAL 1 - To ensure access to healthcare resources for County residents.		X					
Health	GOAL 2 - To prevent and reduce chronic disease, including obesity, among County residents.		X					
Health	GOAL 3 - To improve reproductive health care in order to reduce infant mortality and enhance birth outcomes for women in Prince George's County.		X				X	

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Health	GOAL 4 - To prevent and control sexually transmitted disease and infections in order to enhance the health of all the County's residents, workers and visitors.		X					
Health	GOAL 5 - To ensure that Prince George's County's physical environment is safe in order to enhance the health of all of its residents, workers and visitors.		X		X			
Health	GOAL 6 - To ensure that County residents have access to mental health and substance abuse treatment.		X					
Library	GOAL 1 - To provide information resource services to the County's citizens, residents and visitors in order to effectively meet their educational, cultural and recreational needs.			X				
Library	GOAL 2 - To increase early childhood (birth to age five) literacy participation.			X			X	
Library	GOAL 3 - To provide public access to the Internet.		X	X	X	X		
Community College	GOAL 1 - Student Success: Creating and sustaining optimal conditions for students to design and achieve academic, career, and personal goals			X	X		X	
Community College	GOAL 2 -Regional Impact: Driving strategic partnerships to identify and respond to the region's present and future priorities			X	X			
Community College	GOAL 3 - Organizational Excellence: Creating and sustaining agile, effective, and efficient institutional synergies			X	X			
Public Schools	GOAL 1 - Students are our priority and all students can achieve at high academic levels.		X	X			X	
Public Schools	GOAL 2- High expectations inspire high performance.		X	X			X	
Public Schools	GOAL 3 - All staff share the responsibility for a safe and supportive school environment contributing to excellence in education.		X	X			X	
Public Schools	GOAL 4 - The support of everyone in our community is essential to the success of our schools and students, and this success enriches our community.		X	X			X	
Public Schools	GOAL 5 - Continuous improvement in teaching, leadership and accountability is the key to our destiny.		X	X			X	
Housing	GOAL 1 - To assist low and moderate income senior citizens, individuals and families in the County in acquiring rental housing.		X		X	X		

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Housing	GOAL 2 - To provide new homeownership assistance to and preserve existing owner-occupied units for County residents with low to moderate incomes in order to stabilize communities and promote homeownership.		X		X	X		
Housing	GOAL 3 - To provide foreclosure prevention services to County residents to reduce the occurrence and lessen the consequences of foreclosures in the County.		X		X			
Housing	GOAL 4 - To provide assistance in the areas of affordable housing, public services, public facilities/public infrastructure improvements and employment opportunities for County residents while stabilizing and preserving County neighborhoods utilizing federal entitlement funding through the CDBG program.		X		X			
Social Services	GOAL 1 - To provide intervention services to abused, neglected or impoverished children, adults and families in order to ensure safety and reduce the risk in their living environment.	X	X				X	
Social Services	GOAL 2 – To Stabilize families and individuals in need through increased access to services.		X					
Social Services	GOAL 3 - To assist individuals, adults and families in need to achieve and maintain permanence in the community through increased access to services.		X					
Economic Development Corporation	GOAL 1 - Attract, retain and expand businesses in Prince George’s County by providing marketing, site selection, technical assistance, relationship management and financial incentives.				X	X		
Financial Services Corporation	GOAL 1 - To strengthen the County’s thriving economy by providing small and minority-owned businesses with access to creative, flexible and innovative financing solutions for their operations.				X	X		
Conference and Visitors Bureau	GOAL 1 - Expand Prince George’s County’s tourism economy.				X			
Revenue Authority	GOAL 1 - To economic activity through real estate development or development financing.				X			
Revenue Authority	GOAL 2 - To provide efficient parking operations for residents and workers to improve quality of life.				X			
Revenue Authority	GOAL 3 - To provide management and program fund distribution for public safety enforcement programs.				X			X
Redevelopment Authority	GOAL 1 - Develop mixed-use and mixed income infill developments to improve the County’s tax base.				X			

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Redevelopment Authority	GOAL 2 - Promote community revitalization and quality of life through various projects designed to promote homeownership, sustainable development and small scale community run projects.				X			
Employ Prince Georges	GOAL 1 - To provide workforce development services to businesses and County residents that are seeking employment as well as enhancement to their skill/training.		X	X	X		X	
Employ Prince Georges	GOAL 2 – To provide workforce development services to Prince George’s County job seekers that are seeking employment as well as increasing their skills and credentials.		X	X	X		X	

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TABLE OF SUPPLEMENTALS AND TRANSFERS FISCAL YEAR 2019

This section explains changes made to the FY 2019 operating budget during the fiscal year. As indicated in the Budget Guide, supplemental appropriations and transfers of appropriations from one agency to another can occur only if recommended by the County Executive and approved by the County Council.

In FY 2019, the County Council approved one bill and one resolution changing appropriation levels during the fiscal year. This legislation provides supplementary appropriations and transfers surplus appropriations between various agencies and within various agencies in the General Fund to cover unanticipated and vital costs needed to meet year end operational requirements. The additional resources will support the following: (1) Fire/EMS Department overtime and fringe costs; (2) Office of the County Executive staffing changes and leave payouts associated with the start of the new administration; (3) funding to support a previously grant funded position in the Orphan's Court; (4) reallocation of appropriation within the Department of Public Works and Transportation and Health Department to support operational requirements related to snow removal and temp services; (5) funding for the Department of Social Services for emergency support services for residents; and (6) other non-departmental expenses including an additional Other post-employment benefits (OPEB) contribution, additional funding for Employ Prince George's to support summer youth employment programs and a workforce development program designated by the Local Development Council and designation of prior year Summer Youth Enrichment Program funds to support Summer 2019 expenses.

Grant Fund adjustments reflect additional Federal, State or other funds received by County agencies that were not included in the approved budget.

GENERAL FUND SUPPLEMENTALS AND TRANSFERS OF APPROPRIATION

CB-23-2018	\$3,431,966,100
Adopted Fiscal Year 2019 General Fund Budget (Effective 7/1/2018)	
CB-33-2019	\$11,030,600
An act concerning supplementary appropriations, Intradepartmental transfer of appropriations and Interdepartmental transfer of appropriations for the purpose of declaring additional revenue and appropriating to the general fund to provide for Cost that were not anticipated and included in the approved fiscal year 2019 Budget and transferring surplus appropriations between various agencies	
TOTAL REVISED FY 2019 GENERAL FUND BUDGET	\$3,442,996,700

GRANT FUNDS SUPPLEMENTAL

CB-23-2018	\$206,143,500
Adopted Fiscal Year 2019 Grant Funds Budget (Effective 7/1/2018)	
CR-47-2019	\$22,271,604
A resolution concerning supplementary appropriation of federal, state and other funds for the purpose of appropriating funding from grants in the amount of \$22,271,604 to the Office of Central Services, Circuit Court, Office of the State's Attorney, Police Department, Fire/EMS Department, Office of the Sheriff, Department of Corrections, Office of Homeland Security, Department of the Environment, Department of Family Services, Health Department, Department of Social Services, Department of Public Works and the Department of Housing and Community Development.	
TOTAL REVISED FY 2019 GRANT FUNDS BUDGET	\$228,415,104

January 1, 2019

The Honorable Angela D. Alsobrooks, III, County Executive
 The Honorable Todd M. Turner, Chair, County Council

In accordance with Subtitle 10, Division 1A of the County Code, the Spending Affordability Committee has reviewed the preliminary projections of the County's Office of Management and Budget (OMB) for General Fund revenues for FY 2018 through FY 2020. This letter summarizes the Committee's major findings and recommendations for FY 2020. A detailed discussion of OMB's assumptions on various revenues is provided in the appendix to this letter.

I. OVERVIEW

As shown in Table 1, OMB is projecting the County will face a potential General Fund budget gap of \$48.0 million in FY 2020 based on preliminary revenue projections. The County must stay vigilant in planning for spending that aligns with the projected revenues. The Committee recommends a spending ceiling of \$3,521.0 billion in FY 2020 based on projected revenues. This level of spending would include the use of fund balance totaling \$20.0 million to support the County's commitment to the Purple Line and would at this level of funding maintain the 7% Charter-required and policy-required reserves, which is essential to the County keeping its AAA bond rating.

Table 1
General Fund Outlook
 (\$ in millions)

	FY 2018 Unaudited	FY 2019 Budget	FY 2019 Estimate	FY 2020 Forecast
County-Source Revenues	\$ 1,957.6	\$ 2,063.9	\$ 2,053.9	\$ 2,118.7
Outside Aid Revenues	1,330.7	1,368.1	1,368.1	1,402.3
Total Revenues	\$ 3,288.2	\$ 3,432.0	\$ 3,422.0	\$ 3,521.0
County Agency & Non-D Expenditures	\$ 1,109.9	\$ 1,235.4	\$ 1,225.4	\$ 1,306.0
Education & Library Expenditures	2,131.2	2,196.6	2,196.6	2,263.0
Total Expenditures	\$ 3,241.1	\$ 3,432.0	\$ 3,422.0	\$ 3,569.0
Surplus/(Deficit)	\$ 47.1	\$ -	\$ (0.0)	\$ (48.0)

- OMB projects that General Fund revenues will reach \$3,521.0 billion in FY 2020, an increase of \$89.0 million or 2.6% from the FY 2019 budget. The growth is primarily attributable to an increase in property tax, income tax, transfer tax, recordation tax, licenses and permits collections. The forecast includes \$41.5 million generated from the MGM National Harbor

(including the collection of real property taxes, personal property taxes, admissions and amusement taxes, hotel taxes, video lottery terminal and table game revenues) and a 2.5% increase in Outside Aid for the local school board, library and community college.

- OMB projects that General Fund expenditures will reach \$3,569.0 billion in FY 2020, an increase of \$137.0 million or 4.0% from the FY 2019 budget, before any corrective actions. This projection is based on FY 2019 estimated expenditures and preliminary FY 2020 assumptions of growth in compensation per collective bargaining results, merit payments, fringe benefits, increased staffing, public safety classes, contributions to the education sector, additional debt service obligations costs related to the Capital Improvement Program and the new Regional Medical Center projects, as well as other discretionary spending.
- OMB developed these projections prior to the January 2019 release of the Governor of Maryland's proposed FY 2020 budget. OMB also developed these projections prior to any final decisions of the General Assembly, which often differ from the Governor's proposal and are not available until next spring. The projections therefore do not include the potential impact from State budget adjustments.

II. ECONOMIC OUTLOOK

The County's economic outlook has improved modestly and remains stable. Contributing to the stability is the County's housing market as evidenced by the growth in assessments, sales price and volume of residential homes. However, the County continues to face risks from high foreclosure activity and rising interest rates. Potential budget actions at the Federal and State government levels and weak employment growth could impact the local job market that has recently experienced consecutive gains.

III. REVENUES

Table 2 shows OMB’s preliminary revenue projections for FY 2019 and FY 2020.

Table 2

FY 2020 General Fund Revenue (\$ in millions)							
Spending Affordability Committee Recommendations							
	FY 2018 Unaudited	FY 2019 Budget	FY 2019 Estimate	% Change FY 2019 Estimate v. FY 2018 Unaudited	FY 2020 Forecast	% Change FY 2019 Budget	% Change FY 2019 Estimate
COUNTY SOURCE REVENUES							
Real Property Tax	\$ 778.4	\$ 825.8	\$ 819.4	5.3%	\$ 855.7	3.6%	4.4%
Personal Property Tax	83.1	88.2	88.2	6.1%	89.9	2.0%	2.0%
Income Tax Receipts	567.9	600.5	600.5	5.7%	627.5	4.5%	4.5%
Income Disparity Grant	30.9	34.1	34.1	10.4%	35.6	4.5%	4.5%
Transfer Tax	138.5	126.7	124.3	-10.3%	128.0	1.0%	3.0%
Recordation Tax	56.8	52.6	51.6	-9.1%	53.2	1.0%	3.0%
Energy Tax	77.0	72.4	72.4	-6.0%	75.7	4.7%	4.7%
Telecommunications Tax	25.2	27.8	25.6	1.7%	23.6	-15.4%	-8.0%
Other Local Taxes	28.7	32.1	31.0	8.2%	31.4	-2.4%	1.1%
State-shared Taxes	3.5	3.4	3.4	-0.8%	3.5	2.8%	2.8%
Licenses and Permits	60.3	58.7	61.7	2.2%	63.5	8.2%	3.0%
Use of Money and Property	5.4	3.1	7.9	46.5%	9.0	193.1%	14.1%
Charges for Services	51.0	49.7	49.7	-2.6%	52.6	5.9%	5.9%
Intergovernmental Revenue	34.6	36.1	36.1	4.1%	34.4	-4.6%	-4.6%
Miscellaneous Revenue	16.3	19.0	14.4	-11.6%	15.0	-21.3%	3.8%
Other Financing Sources	-	33.7	33.7	100.0%	20.0	-40.6%	-40.6%
Subtotal County Sources	\$ 1,957.6	\$ 2,063.9	\$ 2,053.9	4.9%	\$ 2,118.7	2.7%	3.2%
OUTSIDE AID REVENUE							
Board of Education	\$ 1,247.0	\$ 1,284.2	\$ 1,284.2	3.0%	\$ 1,316.3	2.5%	2.5%
Community College	75.1	75.2	75.2	0.1%	77.0	2.5%	2.5%
Library	8.5	8.7	8.7	2.2%	8.9	2.5%	2.5%
Subtotal Outside Aid	\$ 1,330.7	\$ 1,368.1	\$ 1,368.1	2.8%	\$ 1,402.3	2.5%	2.5%
TOTAL	\$ 3,288.2	\$ 3,432.0	\$ 3,422.0	4.1%	\$ 3,521.0	2.6%	2.9%

Major sources of revenue changes:

In this section, all revenue changes in FY 2020 are compared to the FY 2019 estimated level, unless noted otherwise. In addition, the FY 2019 estimate is compared to the FY 2018 unaudited level.

- **Real Property Tax Revenues** are expected to increase in both FY 2019 and FY 2020. Real property tax revenues are estimated to increase by 5.3% in FY 2019 from the FY 2018 unaudited level, driven by year-to-date collections as a result of growth in the County’s assessable base. Revenues are projected to further increase by 4.4% in FY 2020 due to strong growth in the assessable base. The County is anticipating \$10.7 million in property tax revenues in FY 2019 from MGM National Harbor and \$10.9 million in FY 2020.

- **Personal Property Tax Revenues** are estimated to increase in FY 2019 from the FY 2018 unaudited level by 6.1%. Collections are estimated to further increase by 2.0% in FY 2020 from the FY 2019 estimated level. The FY 2019 estimate anticipates MGM revenues totaling \$1.9 million and the FY 2020 forecast includes \$1.6 million of revenues generated from MGM National Harbor. The decrease in MGM revenues is the result of depreciation.
- **Income Tax** receipts are projected to increase by 5.7% in FY 2019 from the FY 2018 unaudited level. The estimate reflects the expectation that current year receipts will experience an increase based on the recent changes in income tax laws at the federal level. Revenues are projected to increase by 4.5% in FY 2020 from the FY 2019 estimate. The FY 2019 estimate is based on strong year-to-date collections and assumes continued wage growth and the expansion of the labor force.
- The **State Income Disparity Grant** brings each jurisdiction's per capita income tax level to 75% of the State average. In FY 2019, the State increased the County's disparity grant by \$3.2 million, to \$34.1 million from the FY 2018 level. The disparity grant is projected to increase to \$35.6 million in FY 2020.
- **Transfer and Recordation Tax** revenues are projected to decrease by 10.3% in the FY 2019 estimate from the FY 2018 unaudited level. The decrease in FY 2019 reflects revenues returning to normal growth after the one-time transfer of \$23.2 million from MGM related to the sale of the casino to MGM Real Estate Investment Trust in FY 2018. Revenues are projected to increase by \$5.3 million or 3.0% in FY 2020. The FY 2020 projection adopts the experience of price and volume observed in FY 2018 and excludes the one-time uptick in collections related to the MGM transaction. To date in FY 2018, the housing market trends reflect continued growth in home sales volume as well as a stabilization of home sales price.
- **Energy Tax** revenues are expected to decrease in FY 2019 and slightly increase in FY 2020. FY 2019 revenues are projected to decrease \$4.6 million or 6.0% from the FY 2018 unaudited level. FY 2020 revenues are projected to increase by \$3.4 million or 4.7% assuming an increase in energy consumption.
- **Telecommunications Tax** revenues in FY 2019 are projected to increase by \$0.4 million or 1.7% from the FY 2018 unaudited level. Revenues are projected to decrease in FY 2020. The projected 8.0% decrease in FY 2020, reflects a return to the historical trend of declining collections.
- **Admissions and Amusement Tax Revenues** in FY 2019 are projected to increase by 15.9% from the FY 2018 unaudited level. The FY 2019 estimate reflects an increase in events at the MGM National Harbor and FedEx stadium. In FY 2020, revenues are expected to remain flat. Included in the total projected revenues of \$17.5 million in FY 2020 are anticipated collections of \$2.0 million to be generated from the 3,000-seat entertainment theatre at MGM National Harbor.

- **Hotel Tax Revenues** are projected to increase by 0.4% in FY 2019 from the FY 2018 unaudited level. Revenues are further projected to increase by \$0.2 million or 2.3% in FY 2020. Included in the total projected revenues of \$10.4 million in FY 2020 are \$0.7 million of collections from the hotel rooms at the MGM National Harbor.
- **License and Permit Revenues** are projected to increase by \$1.5 million or 2.2% in FY 2019 from the FY 2018 unaudited level. This change is the result of an increase in video lottery terminal and table game casino revenues generated from MGM National Harbor. FY 2020 revenues are projected to increase by \$1.9 million or 3.0% from the FY 2019 estimated level. The growth in this category is driven by increases in building and business license permit revenues generated from development projects in the pipeline. The FY 2020 forecast includes \$26.2 million generated from video lottery terminals and table games at MGM National Harbor. This is a \$0.6 million increase from the FY 2019 estimated level.
- **Intergovernmental Revenues** are projected to increase by \$1.5 million or 4.1% in FY 2019 from the FY 2018 unaudited level. This is driven by an increase in the local health grant. FY 2020 revenues are projected to decrease by \$1.6 million or 4.6% from the FY 2019 estimated level. This decrease is primarily due to the anticipated reduction in (Maryland-National Capital Park and Planning Commission) M-NCPPC project charges of \$1.6 million.
- **Miscellaneous Revenues** in FY 2019 are expected to decrease by \$1.9 million or 11.6% from the FY 2018 unaudited level. The anticipated decrease is due to the change in vendors for the Red Light Program (RLP) and the Automated Speed Enforcement (ASE) program as well as an increase in unpaid fines for both programs. Gross revenues are projected to increase by \$0.6 or 3.8% in FY 2020, from the estimated FY 2019 level.
- **Other Financing Source** total \$33.7 million in FY 2019, a 100% increase from the FY 2018 unaudited level. This funding includes a \$33.4 million transfer from Fund Balance and \$0.3 million transfer from the Stadium Impact Grant fund. The use of fund balance reflect \$20.0 million allocated to the Maryland Purple Line capital project, \$6.3 million to the Redevelopment Authority capital projects, \$2.5 million to the Housing Investment Trust Fund, \$2.0 million to the Office of Information Technology to support the countywide laptop refresh program, \$1.0 million to support the United States Citizenship and Immigration Services (USIS) at the Branch Avenue Metro Station capital project, \$1.0 million for the National Harbor Public Safety Building, \$0.5 million for the Community College for audiovisual infrastructure and technology upgrades and an \$0.1 million grant to the Town of Eagle Harbor. The FY 2020 forecast assumes \$20.0 million of fund balance as part of the three-year agreement to support the funding of the Maryland Purple Line capital project, which began in FY 2019.
- **Outside Aid** revenues are projected to increase in FY 2019 from the FY 2018 unaudited level by 2.8%. FY 2020 revenues are projected to further increase by 2.5% from the FY 2019 estimate. The increase in FY 2020 is primarily driven by anticipated growth in school enrollment for the Board of Education.

IV. SPENDING CEILINGS

The Committee recommends an overall General Fund spending ceiling of \$3,521.0 billion in FY 2020, an increase of \$89.0 million or 2.6% from the FY 2019 budget. Actual spending for certain items supported by designated revenue resources could change based on budgeted or actual revenues received. Please note that if total revenues decrease, the loss would have to be offset by reductions elsewhere in the budget in order to maintain a balance between expenditures and available revenues.

The County proposes General Fund spending allocations for the Board of Education, debt service and all other general government expenditures as shown in Table 3. Since these allocations are consistent with expected available revenues, the Committee can recommend them as defined by Section 10-112.22 of the Prince George's County Code. However, the Committee notes that many other allocations would also be consistent with expected revenues. The allocation of these revenues is the County's decision. The Committee's recommendations are solely based on consistency with expected revenues.

Table 3

FY 2020 General Fund Spending Ceiling Recommendation (\$ in millions)					
	FY 2018 Unaudited	FY 2019 Budget	FY 2020 Forecast	\$ Change FY19-FY20	% Change FY19-FY20
Board of Education	\$ 1,986.2	\$2,047.7	\$2,110.4	\$ 62.7	3.1%
Debt Service	100.9	125.9	158.2	32.3	25.7%
Other	1,127.0	1,258.3	1,252.4	(5.9)	-0.5%
Total	\$ 3,214.1	\$3,431.9	\$3,521.0	\$ 89.1	2.6%

Board of Education: \$2,110.4 billion for the Board of Education – an increase of \$62.7 million or 3.1% from the FY 2019 approved budget. This increase assumes Outside Aid of \$1,316.3 billion from Federal aid, State aid and Board sources, an increase of \$32.1 million or 2.5% from the FY 2019 approved budget. The recommended FY 2020 forecast includes a projected County contribution of \$794.1 million, representing an increase of \$30.5 million or 4.0% from the FY 2019 approved budget. Included in the recommended County contribution is approximately \$1.3 million in video-lottery terminal revenues from MGM National Harbor, in accordance with local legislation requiring fifty percent of local gaming revenue (up to \$25 million) to be allocated for public education purposes.

Debt Service: \$158.2 million for debt service – an increase of \$32.3 million or 25.7% from the FY 2019 budget, based on existing and anticipated bond sales and favorable interest rates. The current interest rate is dependent upon the County maintaining its AAA rating, which is contingent upon maintaining the required reserves.

Other: \$1,300.4 billion for the remaining General Fund expenditures – a decrease of \$5.9 million or 0.5% from the FY 2019 budget. This spending category includes all General Fund support for

County services and operations except for payments to the Board of Education and the debt service listed in the preceding paragraphs. Funding to support these expenditures are generated from various revenue sources, with the majority coming from County property and income taxes.

V. FUND BALANCE

Table 4 shows the projected and recommended General Fund ending fund balance with a breakdown between the County Charter-mandated 5% Restricted – Economic Stabilization Reserve, the policy-required 2.0% Committed - Operating Reserve and the Unassigned Fund Balance¹.

Table 4
General Fund
Ending Fund Balance Projections

	FY 2018 Unaudited	FY 2019 Estimate	FY 2020 Recommended
Restricted - Economic Stabilization	\$ 163.5	\$ 171.1	\$ 176.0
Committed - Operating Reserve	65.4	68.4	70.4
Unassigned	232.1	188.1	113.1
Total	\$ 461.0	\$ 427.6	\$ 359.6

- As depicted in Table 1, the forecast would result in a balanced budget in FY 2019 and a deficit of \$48.0 million in FY 2020 if no actions are taken. If the County does not follow the recommendations, then the fund balance will further decrease by \$48.0 million to \$359.6 million in FY 2020.
- The Committee recommends County spending consistent with projected revenues of \$3,521.0 billion, as shown in the fourth column of Table 1. This level of spending includes \$20 million in the use of fund balance and would maintain the 7% Charter-required and policy-required reserves.
- The County’s maintenance of the Charter-required 5.0% restricted reserve for economic stabilization and policy-required 2.0% committed operating reserve is a significant factor in maintaining the County’s AAA bond ratings. If the County fails to maintain the required reserves in FY 2020, the increased exposure to financial risk during this period of economic uncertainty could adversely impact its bond ratings. In addition, the County would have less

¹ “Restricted - Economic Stabilization” used to be called “Contingency Reserve”; “Committed – Operating Reserve” used to be called “Operating Reserve”; and “Unassigned” used to be called “Undesignated Fund Balance”. The change in terminology matches the Comprehensive Annual Financial Report (CAFR) and reflects the latest Governmental Accounting Standards Board (GASB) 54 requirement. Both the Charter-mandated 5% Restricted Reserve (County Charter Section 806) and the policy-required 2.0% Operating Reserve are established to provide the County with the ability to address unexpected risks or events such as dramatic economic downturns or natural and man-made disasters. They are important to the County’s fiscal position considering the various revenue/tax caps and limitations on the County.

flexibility and capacity in addressing unpredicted circumstances, such as a drastic economic downturn, major Federal or State policy changes or a natural disaster.

VI. CHALLENGES AND POTENTIAL RISKS

Prince George's County will continue to experience fiscal challenges in FY 2020, with expenditures projected to grow at a faster pace than revenues.


- Projected expenditures will exceed projected revenues by \$48.0 million (Table 1). OMB projects that total revenues will increase by \$89.0 million or 2.6% from the FY 2019 budget. However, OMB projects that the costs of delivering the same level of service as in FY 2019 will increase by \$137.0 million or 4.0% from the FY 2019 budget.
- The FY 2020 forecast includes \$41.5 million of projected revenues related to the MGM facility. This includes an additional \$0.7 million of MGM revenues from the FY 2019 estimated level.
- The County faces long-term liabilities in FY 2020 and beyond, including: greater debt service requirements; increased County contributions to Other Post-Employment Benefits (OPEB); an ongoing risk management fund deficit; and higher pension costs.
- Use of reserves for ongoing operating costs could cause Wall Street to lower the County's bond rating. It would also minimize the County's capacity and flexibility to deal with risks and long-term liabilities in the future. Consideration should be given to restrict the use of reserves to fund one-time costs for major projects.
- As noted earlier, the projections do not factor in the potential impact of any budget adjustments that may be proposed by the Governor and adopted by the Maryland General Assembly in the upcoming 2019 legislative session.
- Any impeding changes in the Federal tax laws, reductions during the Federal budget process could negatively impact both the County's revenues (e.g., loss of income tax and grant revenues) and expenditures (e.g., rising service demands related to increases in the unemployment rate).
- There are additional uncertainties at the Federal level that warrant mention and could negatively impact the County, such as, but not limited to the recent Federal Government partial shutdown and its impact on citizens and businesses in the County. Further, the Committee recognizes the potential for a delayed impact of the Federal Government's actions on the Prince George's County economy.
- The Committee recommends caution in the evaluation at economic growth over the next few years. Given the behavior of recent market and economic indicators, there appears to be a higher risk of recession than in the recent past. The County needs to be prepared to use fund balance in the event these factors hinder the collection of revenues or increase expenditures.

VII. RECOMMENDATIONS AND CONCLUSION

- The Committee continues to strongly urge the County to preserve the Charter-required 5.0% contingency reserve and the policy-required 2.0% operating reserve.
- The Committee strongly urges the County to develop and implement a balanced FY 2020 budget without additional use of the use of fund balance beyond the \$20 million commitment for the Purple Line. The County needs to stay vigilant in developing a spending plan with consideration of the fiscal challenges facing the County and to meet projected revenues. A shortfall in revenues could result in the additional use of fund balance to balance the FY 2020 budget.
- With competing demands for additional and better services for the County, the Committee recommends that the County continue to improve its use of strategic planning and performance management in prioritizing resource allocations.
- Since the County's revenue-raising abilities are very limited due to statutory requirements, the Committee strongly urges the continuation of conservative revenue estimates. By adhering to conservative budget estimates, the County will be better able to absorb any decreases in revenues from potential State and Federal funding cuts, the impact of the Federal tax reform, unrealized revenues from County sources or increases in service demands.

The Committee wishes to thank both the Executive and Legislative Branches of government for the opportunity to review the County's forecast. We believe that we have performed due diligence in reviewing revenue estimates for FY 2019 and FY 2020 and believe them to be reasonable.

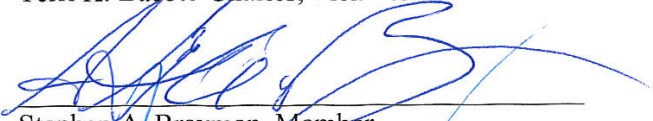
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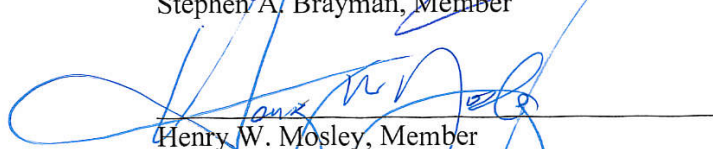
Robert R. Hagans Jr., Chairman



Terri K. Bacote-Charles, Member



Stephen A. Brayman, Member



Henry W. Mosley, Member



Christopher M. Wood, Member

APPENDIX: Detailed Discussion of Revenue Projections

Property Tax

- Property tax revenues total \$907.6 million in FY 2019, an increase of 5.4% compared to the FY 2018 unaudited level. This increase is due to the stability in the housing market and related upward reassessment valuations. Real property taxes are projected to increase by 5.3% in FY 2019 from the FY 2018 unaudited level and further increase by 4.4% in FY 2020, compared to the FY 2019 estimated level. Personal property taxes are expected to increase by 6.1% in FY 2019 from the FY 2018 unaudited level, and further increase by 2.0% in FY 2020. The projected FY 2020 property tax revenues include anticipated collections of \$10.9 million of real property taxes and \$1.6 million of personal property taxes to be generated from MGM National Harbor.
- Real property tax revenues are primarily impacted by assessment changes and the homestead tax credit. In FY 2019 and FY 2020, the County’s real property tax rate is \$1.00 per \$100 of assessable value and includes \$0.04 dedicated to the local school board.

Table 5 shows that total real property assessments in the County are projected to increase by 5.1% in FY 2020. After factoring in homestead exemptions, real property assessments are projected to increase by 4.9%.

Table 5

Projections of Real Property Assessments Subject to County Taxes (\$ in millions)				
	Estimate FY 2019	Forecast FY 2020	\$ Change	% Change
Gross Assessment	\$ 9,247.7	\$ 9,721.1	\$ 473.4	5.1%
Homestead Tax Credit	(660.8)	(710.4)	(49.5)	7.5%
Net Assessment	\$ 8,586.9	\$ 9,010.8	\$ 423.9	4.9%

Source: State Department of Assessment and Taxation

Note: Numbers may not add due to rounding.

- By January of each year, the State Department of Assessments and Taxation (SDAT) reassesses one-third of the properties in the County. Any assessment growth is phased in over the next three fiscal years, while any decrease is immediately realized. In 2016, Group 1’s reassessed values increased by 24.7%. In 2017, Group 2’s reassessed values increased by 13.5%. In 2018, Group 3’s reassessed values increased 17.5%. Group 1’s reassessed values increased by 16.8% in 2019 based on the recent assessments released by SDAT in December 2018.

- The homestead tax credit ensures that the annual percentage growth of the taxable assessment value for principal residential homes will not surpass the growth of the Consumer Price Index (CPI) in the County, with a maximum increase of 5.0%. In June 2018, the CPI increased by 3.0% from the same period in the prior year. The homestead tax credit cap will be set at 103% in FY 2020, a 1.0% increase from FY 2019. The upward reassessments in past years, reflects stability in the County's real estate market. Unrealized revenues attributable to the homestead tax credit have been decreasing. However, the combination of the recent recovery in the County's housing market and a maximum increase limit of 5.0% in annual assessments, has translated into significant revenue loss. Based on SDAT estimates released in November 2018, the homestead tax credit is expected to result in a revenue loss of \$49.5 million in FY 2019.
- The personal property tax rate is \$2.50 per \$100 of assessable value and includes \$0.10 dedicated to the local school board in FY 2019 and FY 2020.

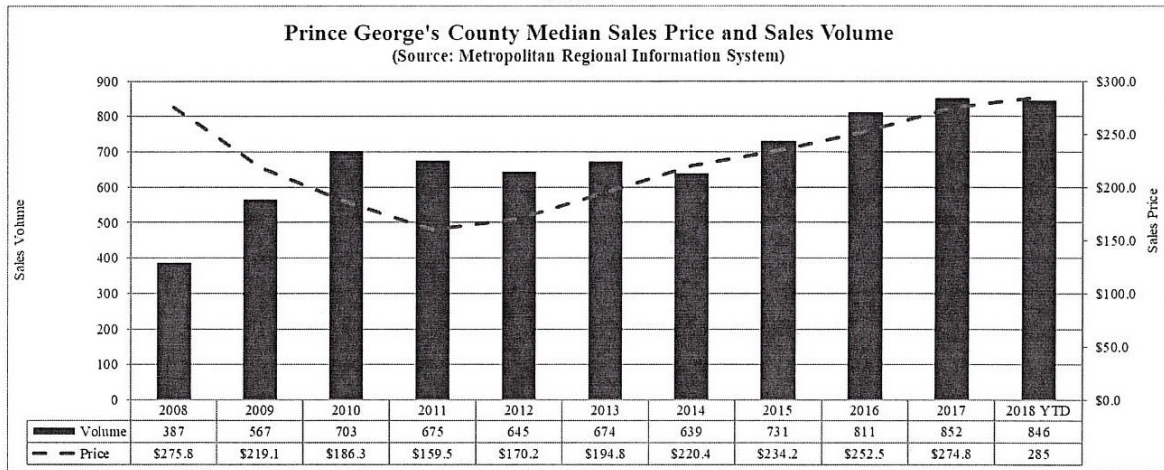
Income Tax

- Income tax receipts are projected to increase by \$32.6 million or 5.7% in FY 2019 from the FY 2018 unaudited level due to improvements in the County's employment and income levels. Receipts in FY 2020 are projected to increase by 4.5% based on the recent changes in income tax laws at the federal level, continued wage growth and expansion of the labor force.
- The State Income Disparity Grant is calculated by the State based on income and population data, to bring each jurisdiction's per capita income tax level to 75% of the State average. In FY 2017, the County received a \$26.6 million in the disparity grant and the amount increased to \$30.9 million in FY 2018. In FY 2019, the County budget includes \$34.1 million for the disparity grant based on the State's FY 2019 budget. The State Income Disparity Grant is expected to increase to \$35.6 million in FY 2020.

Transfer and Recordation Taxes

- Transfer taxes are projected to decrease by 10.3% in FY 2019 from the FY 2018 unaudited level and increase by 3.0% in FY 2020. Recordation taxes are expected to decrease by 9.1% in FY 2019 from the FY 2018 unaudited level and increase by 3.0% in FY 2020. The FY 2019 the decrease reflect the return to normal growth from the one-time property transfer by MGM National Harbor.
- Table 6 below indicates that the County's real estate market continue to show signs of growth and will likely continue to improve over the next 12 months. Between calendar year 2017 and November 2018, the average median home sales price increased by 3.8% to \$284,800, while sale volume decreased by 0.7%.

Table 6



- Foreclosures in the first two quarters of calendar year 2018 totaled 3,341, a decrease of 2.6% from the same period in 2017. The County currently has the largest number of foreclosures in the State based on quarterly reports of foreclosure activities in Maryland. However, the large number of foreclosure events in the judicial process and rising mortgage rates appears to be slowing down given the recent recovery in the County’s housing market.

Energy Tax

Energy tax revenues are projected to decrease by \$4.6 million or 6.0% in FY 2019, from the FY 2018 unaudited level, based on year-to-date collections. This revenue is expected to increase by \$3.4 million or 4.7% in FY 2020.

Telecommunications Tax

The telecommunications tax receipts are expected to increase by \$0.4 million or 1.7% in FY 2019 from the FY 2018 unaudited level. Revenues are projected to decrease in FY 2020, reflecting a return to the historical trend of declining collections.

Other Local Taxes

Other local taxes - admissions and amusement tax, hotel/motel tax, and other taxes - are projected to increase by 8.2% in FY 2019 from the FY 2018 unaudited level and increase by 1.1% in FY 2020. Included in the total projected revenues of \$31.4 million in FY 2020 are \$2.7 million from the 3,000-seat entertainment theatre and hotel rooms sited at MGM National Harbor.

State-Shared Taxes

The County’s projection tentatively assumes that State-shared tax revenues will decrease by \$0.1 million or 0.8% in FY 2019, compared to the FY 2018 unaudited level. This is primarily due to reduced collections of taxes on corporate assets. In FY 2020, collections are projected to increase by \$0.1 million or 2.8%.

Licenses and Permits

License and permit revenues are projected to increase by \$1.3 million or 2.2% in FY 2019 and expected to increase by \$1.9 million or 3.0% in FY 2020. The FY 2020 increase is primarily driven by projected increase in building and business licenses permits collections as well as additional video lottery and table games revenues. Video lottery terminal and table games revenues are forecasted to total \$26.2 million in FY 2020. This is an increase of \$0.6 million or 2.4% from the FY 2019 estimated level.

Use of Money and Property

Receipts from the use of money and property are expected to increase by \$2.5 million or 46.5% in FY 2019 from the FY 2018 unaudited level primarily due to the change in the accounting practice related to interest income. Use of money and property revenues are projected to increase by 14.1% in FY 2020.

Charges for Services

Charges for services are projected to decrease by \$1.3 million or 2.6% in FY 2019 from the FY 2018 unaudited level. The decrease is the result of decline in revenues related to emergency transportation fees and other charges for services. In FY 2020, collections are forecasted to increase \$2.9 million or 5.9%, due to anticipated increased collections of emergency transportation fee and cable franchise revenues.

Intergovernmental Revenues

Intergovernmental revenues are projected to increase by \$1.4 million or 4.1% in FY 2019, from the FY 2018 unaudited level driven by an increase in the local health grant. In FY 2020, revenues will decline by \$1.6 million or 4.6%. The decline is primarily due to a \$1.6 million reductions in project charges revenue from the M-NCPPC.

Miscellaneous Revenues

Miscellaneous revenues are projected to decrease in FY 2019 by \$1.9 million or 11.6% from the FY 2018 unaudited level and increase in FY 2020. The increase in the FY 2020 projection is the result of revenues returning to normal growth after the one-time decrease caused by the change in vendors for RLP and the ASE programs.

Other Financing Sources

Other financing sources generally include the use of fund balance and transfers in from other funds. The FY 2019 estimated revenue total includes \$33.7 million in the use of other financing sources as reflected in the FY 2019 budget. This total includes \$33.4 million in the use of fund balance reflects \$20.0 million allocated to the Maryland Purple Line capital project, \$6.3 million to the Redevelopment Authority capital projects, \$2.5 million to the Housing Investment Trust Fund, \$2.0 million to the Office of Information Technology to support the countywide laptop refresh program, \$1.0 million to support the United States Citizenship and Immigration Services (USIS) at the Branch Avenue Metro Station capital project, \$1.0 million for the National Harbor Public Safety Building, \$0.5 million for the Community College for audiovisual infrastructure and technology upgrades and \$0.1 million grant to the Town of Eagle Harbor. Additionally, the FY 2019 estimate includes a \$0.3 million transfer from the Stadium Impact Grant fund. The FY 2020 forecast assumes \$20.0 million of fund balance as part of the three-year agreement to support the funding of the Maryland Purple Line capital project, which began in FY 2019.

Board of Education (BOE) Aid

Board of Education aid is projected to remain unchanged from the FY 2019 budget and will increase by 2.5% in FY 2020. The increase in FY 2020 is primarily due to anticipated growth in school enrollment and does not include any potential impact from any State budget adjustments.

Community College Aid

Outside aid for Prince George's Community College is projected to remain unchanged in FY 2019 from the FY 2019 budget and increase by 2.5% in FY 2020.

Library Aid

Library aid is expected to remain unchanged in FY 2019 from the FY 2019 budgeted level and increase by 2.5% in FY 2020.

