Strategic and Fiscal Policies

This Section includes Strategic Policies and Fiscal Policies. Both are critical to the government's operations to achieve efficient and effective service deliveries while maintaining a strong fiscal stewardship.

STRATEGIC POLICIES

The County Government Vision and Strategic Plan

Our proud priorities represent the County Executive's approach to governing built on the foundation of data driven performance that inspires collaboration and is transparent and results oriented.

We know that with our budget, there are limitations to what we can fund an a given year. But the reason we will maintain a AAA bond rating on a $5.5 proposed billion budget, is because we make intentional and focused decisions that will positively impact the lives of Prince Georgians.

Vision – Prince George's Proud

To attract and retain the most experienced workforce who will use innovative technology to provide efficient, effective services to our citizens. We will collaborate with our stakeholders to develop solutions that are data-based and rely on best practices to address complex challenges within the county and the region. We will have a world-class education system, safe communities and a robust economy that creates jobs and opportunities for all and increases the commercial tax base to ensure we can provide the services our residents deserve.

Mission

- Through internal and external partnerships and collaboration, we will enhance government services to ensure that we are meeting or exceeding the needs of our residents, visitors and businesses. We will strategically implement initiatives within the six Policy Focus Areas critical to the long-term success of our County and demonstrate we are Prince George's Proud.

Principles

- Transparent government that is accountable to those we serve.
- Improve/enhance technology within the government to ensure that services provided to constituents are efficient and effective.
- Education reform that puts the focus back on children, teachers and families to ensure that our learning environments, in and out of the classroom, are conducive to meeting the educational needs of our children.
- Building a robust economy that creates jobs, attracts services that our County needs and increases the commercial tax base, allowing the government to no longer balance our budget on the backs of those we serve.
- Focusing on infrastructure investments such as road improvements, revitalization of inner beltway communities and development around our Metro stations that provides more opportunities for our citizens to live and work here, as well as travel within the County and not just in and out of it.
- Investing in people by providing better access to affordable, preventative healthcare, educating citizens on principles of healthy living and providing more options for treatment of addictions and mental health challenges.

Priorities

1. Education
2. Safe Neighborhoods
3. Economic Development
4. Healthy Communities
5. Quality of Life Supported by High Performance Government
6. Youth Development

Agency Plans

Agency plans define: (1) how the agency aligns with, and will work on, accomplishing the Countywide vision and (2) the agency's intended impact on customers. To accomplish this, each agency has included in its section of this book its mission, core services, goals, objectives and strategy statements. The Strategic Focus was added in FY 2013 to indicate short-term priorities of each agency based on the organization's overall strategic priorities.

Performance Measures

Performance measures are provided for each objective to illustrate a quantitative picture of the services delivered to customers and their impact. This information is important to evaluate the current status and possible improvements to carry out the Countywide vision and agency plans. To accomplish this, performance measures indicate each objective's resources, tasks, services, production, efficiency, quality and impact. Five categories of performance measures provide this information: input (resources), output (workload, demand and production), efficiency (how well resources are utilized given the output), quality (accuracy, timeliness, and customer service) and outcome (impact).

Performance Budgeting

In the Countywide strategic plan, agency plans, and performance measures provide a clear strategic direction and a comprehensive quantitative picture of the services the County delivers to its customers. Performance-informed budgeting uses this information to justify and evaluate the allocation of resources and seeks to better match funding with the strategic focus and maximize the utility of limited resources. As a result, the allocation of resources can better facilitate the agency's ability to meet its plan and the Countywide vision and its ability to positively impact its customers.

Budget Prioritization

The budget development process requires prioritizing services and programs to ensure limited resources are dedicated to meeting the most important needs of the County. Agencies identify and prioritize each of their services and programs to facilitate decision-making. A vetting process occurs first with the Office of Management and Budget and then with the County's leadership team. A collaborative decision making process takes place when all priorities are considered in the context of current conditions, data trends, emerging priorities and past funding decisions. It is through broad, Countywide prioritization of services by leadership, combined with the budget priorities established by each agency, that the resources can be appropriately allocated, and all service areas be better served.

On-going Improvement of the Performance Management System

Performance Management is utilized as a tool to facilitate decision-making and improve service delivery. The Performance Management System is a comprehensive integrated system, including development of the strategic plan, execution of the plan, constant monitoring and feedback, on-going training and constant improvement.

Major elements include:

- CountyStat sessions focusing on priority objectives;
- Development of agency mission, goals, priorities, strategies and performance measures; and
- Monthly reporting – tracking, analyzing, recommending and communicating

Major FY 2024 achievements include:

- Convened over 15 CountyStat Sessions, taking a deep dive into the elevated priorities which include beautification, flooding, permitting, procurement, reducing time to fill and reducing violent crime;
- Continued specialized data collection to monitor progress related to the aforementioned, elevated priorities;
- Maintained data for 40 County agencies, including other quasi-governmental agencies as well;
- Maintained and submitted data required by the U.S. Treasury for federally funded American Rescue Plan Projects as well as;
- Updated the performance goals and objectives of the CountyStat division to reflect its evolving focus on pro-gram management.

In FY 2025, strategic focuses will include:

- Perform CountyStat sessions on the top initiatives for transparency and accountability;
- Continued Countywide data collection and analysis;
- Updated analysis of Countywide services;

- Thorough analysis of workflow service level agreements with recommended changes to those agreements; and
- Continued deployment of an integrated business process system and providing agencies with performance dashboards.

Funding by Priority Area in Support of Vision and Goals

The County's budget is a plan to allocate and spend funds in support of achieving the Government's strategic Policy Focus Areas. Each major area of the Countywide vision is listed below along with the aligned budget in FY 2025.

1 – Education

The FY 2025 proposed budget continues to support the County's goal of excellent education. The FY 2025 budget includes $2.8 billion in funding for the Board of Education, an increase of $29.3 million or 1.0% over the FY 2024 budget. Funding for the Board constitutes 61.8% of all General Fund spending in the FY 2025 budget. The County's contribution represents a decrease of -$1.3 million under FY 2024 (from $943.1 million to $941.7 million) but exceeds the minimum local share contribution required by the State. The proposed budget includes a net increase in employee compensation negotiated commitments; pass through funding for P3/ Alternative Construction Financing projects; post-employment benefit increases; continued support of universal pre-kindergarten; program continuation of immersion as well as well as providing additional student-based budgeting resources to the schools. FY 2025 is the third year of the local effort requirements under the Blueprint for Maryland's Future Act in which the County's local share is run through the prism of the major State formula aid programs which are each driven by unique formulas based on County wealth indicators and pupil populations. In FY 2025, energy and telecommunication tax collections are no longer included as additional contributions above the mandated local share per a proposed change in State law.

The FY 2025 proposed capital budget contains County funding in support of systemic repairs to schools in need of roofs, boilers, windows, piping, HVAC and elevators along with construction planned to continue for New Northern Adelphi Area HS, High Point HS and the Suitland HS Annex Replacement. Additionally, the budget includes funding in FY 2025 for Stand-Alone classrooms to address the capacity issues within the schools. The Board of Education continues a public-private partnership (P3) to support construction of new schools.

In addition, the FY 2025 proposed budget includes $135.5 million for the Community College, a $4.0 million or 3.0% increase over the FY 2024 budget. The proposed budget supports the College's strategic efforts toward operational efficiency, student lifecycle services, full implementation of the Pathways program, campus-wide technology upgrades and the Promise Scholarship Program which provides free tuition for graduates of County Public Schools and County residents. The CIP budget includes funding to support construction related to Marlboro Hall renovations, Novak Field House's roof and area improvements under the College Improvements project which will include replacing mechanical, life safety, environmental temperature building controls, roofs, carpet, signage, lighting, roadways/parking lots and upgrades to interior spaces.

The proposed FY 2025 operating budget for the Memorial Library System is $37.5 million, a decrease of -$574,500 or -1.5% under the FY 2024 budget. Operating funds are provided for the Books from Birth Program, after-school programming and restored Sunday hours for various locations. The FY 2025 CIP funds will support public restroom renovations at the Beltsville and Oxon Hill branches, new entrance doors at Fairmont Heights and Glenarden branches and continue with ADA compliance upgrades at various branches.

2 – Safe Neighborhoods

Prince George's County remains committed to providing safe communities for citizens, residents and visitors. The FY 2025 budget continues to support various crime prevention reduction initiatives, technology to improve responsiveness and safety and recruit classes to maintain the County's sworn ranks. The FY 2025 proposed budget funding totals $934.5 million, an increase of $24.6 million, or 2.7%, over the FY 2024 budget.

The proposed FY 2025 budget for the Fire/EMS Department includes two recruit classes (totaling 100) and an additional 27 firefighters. Funding will support Medicaid billing, gas and oil and will provide for volunteer and emergency technician recruitment and retention efforts. The Office of Homeland Security receives funding to support the purchase of body cameras to support public safety personnel, dispatch services and data voice for backup computers.

The proposed budget for the Police Department includes funding for two recruit classes of 50 (totaling 100) as well as funding to support overtime costs, equipment maintenance and software technology for crime fighting efforts. In FY 2025, the Police Accountability Board and Administrative Charging Committee will enter their third year of operations. The Police Accountability Board works in partnership with law enforcement agencies to develop strategies and recommendations to improve matters of policing, including, but not limited to, imposing effective discipline for proven police misconduct, implementing independent oversight of police policies and practices and increasing police accountability. The Administrative Charging Committee (ACC) seeks to improve police customer service and community responsiveness to citizens' complaints of police misconduct through the establishment of effective independent oversight of the police disciplinary process and its outcomes.

The Department of Corrections' proposed budget funds two recruit classes of 18 new officers to the department and supports inmate food, transportation and medical service contracts. There is additional funding allocated for reentry services and behavioral health services for inmates.

The FY 2025 proposed budget for the Circuit Court includes funding to support victim safety and offender accountability in cases of domestic violence, dating violence, sexual assault, and stalking through the Office of Violence Against Women (OVW) grant and additional funding for jury fees. The Office of the Sheriff's budget supports continuing efforts to reduce outstanding warrants, with a focus on violent criminals and to reduce repeat domestic violence calls. Funding for the Orphans' Court supports efforts to increase the number of decedents' assets and guardianships with assets intact through having one sitting judge review caseload and dockets. The Office of the State's Attorney's receives funding to support interpreter fees for the rise in court cases.

The six-year CIP budget includes FY 2025 funding for the continued construction of the Forensic Lab; continued improvement and rehabilitation of various police stations; renovations and roof replacements for various fire stations; continued construction on the correctional center medical unit and detention housing units. Funding is also included for various courthouse renovation projects and security enhancements.

3 – Economic Development

The success of the County will be measured by the government's ability to grow the local economy. In 2012, the County launched the Economic Development Incentive (EDI) fund with an investment of $50 million in conditional and conventional loans to attract and retain businesses. To date, the County has awarded $48.4 million in EDI funding for 67 projects. This investment has created 8,480 County jobs and retained 6,266. Cumulatively, EDI funding has leveraged over $1.36 billion dollars in total project investment in the County. The FY 2025 proposed budget includes $9.0 million from this fund to continue investing in the economy.

The County will continue its efforts to grow the residential, commercial and industrial construction economy by creating efficiencies in the permitting and inspections processes. The FY 2025 proposed budget includes funding for contracts for third-party plan reviewers and online applications maintenance for current system modules. The budget includes additional permitting, inspections and site road modules for the permitting and licensing system for the Department of Permitting, Inspection and Enforcement to manage permit applications, short-term rental programs and improve the quality of commercial building inspections. In addition, funding in the amount of $1.8 million is allocated to continue the Clean Lots program and $4.2 million will provide support for the permitting and licensing system.

The proposed budget also supports the Department of Housing and Community Development and the Redevelopment Authority's efforts to focus on expanding access to a broad range of quality housing, promoting and increasing the supply of affordable housing, and enabling families to become self-sufficient. In support of that, the FY 2025 proposed budget contains $28.1 million from the Housing Investment Trust Fund for the Workforce Housing Gap Financing Program. Additionally, the proposed budget funds The Consolidated Plan to focus HUD grant efforts and continued operating support for the comprehensive housing strategy plan and the affordable housing public awareness campaign.

4 – Healthy Communities

The FY 2025 proposed budget continues to include $3.8 million for the University of Maryland Medical System (formerly Dimensions Health System), including resources for debt service payments for refunded debt. Joint efforts on behalf of the State and the County will ensure financial stability of the system. In FY 2025, the Regional Health and Human Services Center (HHS) will open and serve as a centralized focal point for the delivery of services to older adults, persons with disabilities and family caregivers. The headquarters building will co-locate the administrative offices of the Health Department, the Department of Family Services and the Department of Social Services.

In this area, the health and human service agencies continue to restructure their service delivery and administrative structures to correctly align staff with functions and utilize grant funding. These efforts have ensured that there will be no diminution of social services, particularly to the most vulnerable and at-risk populations.

The proposed FY 2025 budget for the Department of Family Services continues to support increased access to intervention programs for at-risk youth and families via the administration of disconnected youth, childhood hunger and home visiting programs. Funding continues to support the Disability Training Apprenticeship, Options Counseling, Senior Environmental Assistance and Domestic Violence Human Trafficking programs. Funding in the Health Department supports efforts for the Crisis Stabilization Call Center for Methadone Services Program. Funding also supports the addition of one Budget Management Analyst and one Communication Specialist. The Capital Improvement Plan for Health Services will include $12.2 million dedicated to the completion of the Regional Health and Human Services Center.

The Department of Social Services general and grant funding will continue to support the Office of Strategic Partnerships and Community Solutions in partnership with Prince George's County Public Schools. This program targets at-risk youth based on needs related to attendance, academic performance and a school progress index. In FY 2025, funding will be available for the Warm Nights Shelter to support the day-to-day operations of the resident services on a 24/7 basis and support for the Food Equity Program. Funding continues to support the Child Advocacy Center, Maryland Money Market Double Value Coupon, Supplemental Nutrition Assistance Program (SNAP) to Health Program, Emergency Homelessness and the Child Protection Education Unit.

Through agency appropriations and the discretionary grant programs, the County Government will continue its services to support the elderly, at-risk youth, those with no or substandard health insurance, and many others in need.

Finally, the County will continue to provide $4.4 million in support to the County developmental disability administration (DDA) service providers. Funding for this effort is included in Non-Departmental - Grants and Transfer Payments.

5 – Quality of Life Supported by High Performance Government

In FY 2025, the County continues its investment into various environmental programs to improve the quality of life and support Federal and State mandates. The proposed FY 2025 funding for the Local Watershed Protection and Restoration Enterprise Fund totals $24.2 million, an increase of $3.5 million or 17.0% over the FY 2024 budget and supports various operating expenses needed to meet federal and state water quality mandates to improve the health of the Chesapeake Bay. The County also continues its investment in the Stormwater Management District Enterprise Fund in FY 2025 ($113.0 million total for DOE and DPW&T components) with a decrease of -$221,200 or -0.2% under the FY 2024 budget for stormwater management programs. The CIP includes funding for the Flood Protection and Drainage program.

The Solid Waste Management Enterprise Fund totals $125.3 million, a decrease of -$10.1 million or -7.5% under the FY 2024 budget. The budget supports recycling, composting, and county beautification efforts. Funding is provided to support the bulky trash collection program and address concerns of illegal dumping. The CIP continues to support operational and facility improvements and repairs.

The FY 2025 proposed budget also includes increased General Fund resources for extermination and sanitation services at the kennel and consulting services to support climate change program priorities. An additional Administrative Specialist 1G position has been added to the Animal Services Division to serve as a full-time veterinarian at the animal shelter. Funding will also be provided for the purchase and replacement of an animal carcass freezer that is beyond its useful life.

The proposed budget includes funding for the Department of Public Works and Transportation for expanded beautification and litter removal efforts and to assess, maintain and rehabilitate County roadways. The installation of new roadways and improvement to sidewalks, crosswalks and automated pedestrian signals is funded to reduce the number of pedestrian fatalities and collisions on County-maintained roadways. Additionally, funding in DPW&T supports service costs for TheBus transit services, Vision Zero traffic safety initiative, the Clean Lots Program, snow removal services and a new Administrative Specialist 2G position in the Office of Highway Maintenance division.

6 – Youth Development

In FY 2025, the proposed budget includes $2.5 million to support the Summer Youth Enrichment Program (SYEP). The program capacity is normally facilitated through County, public and private partnerships and provides summer jobs for youth ages 14-22 and a job readiness program largely run by Prince George's Community College.

General Government Changes

General government agencies as a group experience a -$1.9 million decrease in funding (outside of Internal Service Funds) primarily due to compensation and fringe benefit adjustments, a decrease in recoveries from other funds and a decrease in general administrative and operational costs. The proposed budget supports the following initiatives:

- Continued administration of the County's electronic filing/case management system that allows 24/7/365 access to online filings of complaints, financial disclosure statements and lobbyist registrations.
- Continued maintenance and sustainability of the PGC311 customer relationship management system.
- Funding for an additional Administrative Assistant 3G to manage the Fair Election Fund and other County-mandated tax credits, grants and incentive programs in the Finance Department.
- Continuation of the Police Accountability Board and Administrative Charging Unit.
- Additional funding for the Board of Elections to support temporary staffing and operating supplies for the upcoming Presidential General Election.
- Funding for Public Safety promotional exams and mental health/psychological exams to support the Police Accountability Law requirements.
- Reducing acts of discrimination within the County to positively impact economic development.
- Funding for outreach to County-based businesses to provide current and prospective vendors with technical assistance as well as the recruitment of diverse businesses within the County.
- Resources to support the new Office of Procurement.

FISCAL AND FINANCIAL POLICIES

The financial integrity of the County government is of utmost importance. The financial policies are a key element to maintaining this integrity. These financial management policies are designed to ensure the fiscal stability, provide long-term sustainability, and guide the development and administration of the annual operating and capital budgets, as well as the debt program.

The objectives of these fiscal policies are to:

1. Fund stable and sustainable public services to citizens and ensure the County's fiscal integrity is maintained.
2. Enhance the policy-making ability of the County Executive and County Council by providing accurate, reliable and timely information about County operations to guide important decisions which have significant fiscal impact.
3. Set forth operational principles that achieve a structurally balanced budget and maintain the County's AAA bond rating, while minimizing the cost of funding core government services and financial risks.
4. Ensure the appropriate use of all County funds through a sound financial system and strong internal controls.
5. Employ revenue policies that diversify revenue sources and expenditure policies that distribute the cost of government services fairly; provide adequate funds to operate desired programs and services; and make effective use of all applicable and appropriate sources of funding.

To meet these objectives, the County's policies are divided into seven general categories. These categories include: 1) Financial Planning Policies, 2) Revenue Policies, 3) Budget Management Policies, 4) Fund Balance Policies, 5) Debt Management Policies, 6) Cash Management/Investment Policies and 7) Financial Reporting Policies.

1. Financial Planning Policies

KEEP THE COUNTY IN A STRONG FINANCIAL CONDITION

The County will continue to maintain sound cash and financial management. Several approaches and models are employed to guide the County in this process. These models assist in revealing possible structural imbalances and provide an opportunity to take corrective actions. As a result, the County can further ensure the efficient use of public funds over the long term.

One approach to accomplish this is achieving and maintaining a balanced budget for all funds. A balanced budget means the total money the government receives in one year, including other financing sources such as transfers in and use of fund balances, is equal to the amount it spends on goods, services and debt payments that year. In addition, the County follows a variety of policies to maintain a healthy balance sheet and to maximize cash management strategies. In balancing the budget, the County considers the nature of the revenues (sustainable, one-time, program specific, etc.) and the anticipated spending needs of the program or activity in the out-years.

LONG-RANGE FINANCIAL PLANNING

The County implements its long-range financial planning policies using two methods - (1) the legislative approval of its six-year capital improvement program (CIP) budget and (2) internal financial forecasting and modeling. These practices are essential to plan for potential liabilities early and allocate resources accordingly. This ensures that County policies and/or decisions do not lead to unexpected financial burdens and measures the fiscal impact of present-day decisions on long-term outcomes. The County plans to strengthen its multi-year fiscal planning in FY 2025 to maintain its long-term financial sustainability.

1. **Capital Improvement Program**

   The County develops and adopts a six-year CIP each year. This plan is approved by the County Council through the annual budget adoption process.

2. **Internal Financial Forecasting and Modeling**

   Various forecasting and debt models are used during the County’s planning process. These models include six-year revenue, expenditure, and fund balance projections for the general fund, and 30-year debt affordability models. These models are typically updated twice a year and as needed. They take into consideration several critical factors, including national and local economic outlook data, anticipated changes in federal, State and local laws and policies, and long-term governmental obligations. Assumptions include anticipated cost of living and merit increases for employees, maintaining adequate staffing levels across the government, rising health care expenses for active and retired employees, capital spending, risk management, pension and other long-term debt obligations.

INTERNAL SERVICE AND ENTERPRISE FUNDS

The goal for internal service and enterprise funds is to provide certain services at rates that ensure self-sufficiency. An annual review of all programs that operate on an internal and enterprise fund basis is prepared to ensure charges are not burdensome to the public or users, and that revenues continue in a self-supporting nature.

2. Revenue Policies

DIVERSIFY REVENUES

The County strives to broaden revenue bases and seek alternative revenues to fund programs and services. This mitigates vulnerability to reductions in programs and services due to economic downturns and decreases dependence on general taxes for government operations. This policy has become more important in recent years as the State continues to shift costs to local governments.

It is important to note that the County's ability to raise taxes is limited by a 1978 amendment to Section 817, Article VIII of the Prince George's County Charter. The amendment referred to as Tax Reform Initiative by Marylanders (TRIM) limits the County's ability to raise the property tax rate. However, the County is authorized to increase property tax rates based on Chapter 6 of the 2012 Laws of Maryland (Senate Bill 848). This law allows the County's real and personal property tax rates to be set higher than the rate authorized under the County's charter. The bill requires that any additional revenue generated because of the higher property tax rate is for the sole purpose of funding the approved budget of the local school system. In FY 2016, the real property tax rate was increased $0.04 to $1.00 per $100 of assessable value. Additionally, the personal property tax rate rose $0.10 to $2.50 per $100 of assessable value. All additional revenues generated from the tax rate increases are dedicated to the Board of Education. The increased property tax rates remain in FY 2025.

Due to the restriction of raising property tax rates only for education, it is essential for the County to seek other revenue sources and maintain an adequate level of fund balance to guard against financial uncertainties and risks.

USE CONSERVATIVE ASSUMPTIONS IN FORECASTING REVENUE GROWTH

The fiscal integrity of a government is heavily dependent on the extent to which actual revenues meet or exceed expenditures. It is, therefore, essential that conservative assumptions be used in forecasting revenues. During economic downturns, conservative revenue forecasts are particularly important because the slowdown in one sector of the economy can extend to other sectors, and in those circumstances, the County could experience a broader decline in revenues.

RELY ON CONTINUING REVENUE SOURCES

Over the long term, a local government's fiscal health is greatly dependent on its ability to pay for current expenses with current revenues. Recurring expenditures should be funded from a stable stream of income, such as taxes, service charges and intergovernmental revenues, with little or no reliance on one-time sources. Non-recurring resources are allocated primarily to non-recurring expenditure items to ensure financial stability.

REVIEW USER FEES AND GRANT FUNDS

The County completes an annual review of all user fees and charges to determine the extent to which the full cost of services is being recovered. The approval of changes to existing fees and new fees are approved as part of the annual budget process.

Grant funds are utilized to leverage County funds to supplement current programs and services. Inconsistent and/or fluctuating grants are not to be used to fund ongoing programs. Programs financed with grant funds are primarily budgeted in Special Revenue funds. Programs are adjusted to reflect the level of funding available.

ASSESS THE APPROPRIATENESS OF GRANT-FUNDED PROGRAMS

Grant programs are often seen as ways to implement programs that are fully or mostly paid by other entities, usually the State or federal governments. However, some grant programs have limited life spans that require the County to pay for the full cost in subsequent years. The County will continue to implement only those grant-supported programs that balance important public services without unnecessary or unsustainable commitments of County funds in future years.

3. Budget Management Policies

MAINTAIN PERIODIC FINANCIAL REPORTING AND MONITORING

Financial reports in different formats are generated and systematically reviewed each month. Revenue collections and agency spending are monitored, and projections are updated on a regular basis. The County also closely monitors and analyzes changes in the national and local economies and in federal, State and local laws to take preventative measures in a timely manner against negative impacts. Projections and analytical reports are prepared periodically to facilitate management decisions. Particularly during challenging economic conditions and amid fiscal constraints, such periodic reporting and monitoring mechanisms are extremely important for maintaining the fiscal health of the County and allows the government to take needed fiscal actions in a timely manner.

MONITOR FRINGE BENEFIT COSTS

County fringe benefit costs have been increasing, especially in the categories of pension and health insurance. As part of the effort to curtail health insurance costs, the County implemented mandatory prescription drug mail order and adjusted employee co-payments for generic prescription drugs in 2008. Additionally, several steps have been made to address growing pension costs over recent years, including increasing employee contribution rates and vesting timeframe, modifying the retirement eligibility and establishing benefit caps. Additional measures will be explored in future collective bargaining negotiations.

Prudent fiscal management requires awareness of the forces effecting changes in the pension funds so that current and future liabilities can be met. The County strives to maintain a balance between providing quality healthcare benefits while also considering measures to control costs and limit future cost escalation.

CONTINUE RISK MANAGEMENT FUNDING

Risk management costs have been increasing in recent years. The County's risk management strategy includes maintaining annual funding at or above the annual payments out of the risk management fund.

BUDGET FOR LONG-TERM LIABILITIES

The County continues to contribute more funding than the annual PAYGO amount to retiree health benefits to meet the Governmental Accounting Standards Board (GASB) requirement and to gradually address the long-term funding of Other Post-Employment Benefits (OPEB) liabilities.

4. Fund Balance Policies

MAINTAIN A GENERAL FUND CONTINGENCY RESERVE (COMMITTED RESERVE)

A Charter amendment adopted by the voters in November 2002 requires that the County maintain a contingency reserve for the General Fund. These funds are to be used as a possible source of funding in the event the County Council enacts emergency appropriations in response to unforeseen events. The reserve requirement is 5% of the General Fund budget. The contingency reserve was $214.9 million at the end of FY 2023 and is projected to be $226.3 million in FY 2024, and $228.7 million in FY 2025.

MAINTAIN A GENERAL FUND OPERATING RESERVE (COMMITTED RESERVE)

To ensure a reasonable degree of stability in its programs over the long term, the County must have the budgetary flexibility to deal with events that can create instability such as emergency situations, severe economic fluctuations, or State and federal policy changes. The County policy was to retain an operating reserve equal to at least 2% of the general fund budget in addition to the contingency reserve. The policy reserve in the process of being increased to 5% over a three-year period based on the recommendation of the County's Spending Affordability Committee. The Committee was concerned that revenue levels needed to be increased based on a review of revenue volatility following economic downturns as well as a comparison of reserve levels maintained by other AAA-rated counties in Maryland. The policy reserve was already increased to 3% in FY 2024, and the FY 2025 proposed budget raises the level to 4%. This reserve is a continuing and non-lapsing source of unappropriated funds that can be used to offset the impact of one-time budget emergencies if a plan exists to replenish the reserves. The operating reserve was $86.0 million at the end of FY 2023 (2%) and is projected to be $135.8 million at the end of FY 2024 (3%) and $183.0 million in FY 2025 (4%).

UNASSIGNED FUND BALANCE

The County has an unassigned fund balance created by a combination of effective expenditure controls and higher-than-expected revenues during periods of strong economic growth from the last decade. This amount was $407.6 million at the end of FY 2023. It is expected to be $283.7 million in FY 2024 and $206.2 million in FY 2025. In recent years, County revenue growth did not maintain pace with the required contributions to the Board of Education under the State's Blueprint for Maryland's Future initiative. Revenues continue to lag into FY 2025 due to what is called the "post-pandemic hangover" based on the end of federal stimulus funds and capital gains which served to boost incomes and government revenues at all levels. The County used $56.7 million from unassigned balance in the FY 2024 budget, though about $15.0 million was applied to PAYGO and other one-time purposes. The FY 2025 budget relies on $27.8 million in unassigned fund balance, of which $7.8 million is for one-time purposes. The fiscal challenge will likely remain in the near future as the moderate revenue recovery continues to not keep up with expenditure growth driven by collective bargaining agreements, fringe benefit cost increases, unfunded State mandates, and service needs. The County is in the process of taking corrective fiscal actions and developing multi-year strategies to protect its fund balance and restore balance between revenues and expenditures.

MAINTAIN FUND BALANCE RESERVES IN OTHER FUNDS

Several important government functions are financed through funds other than the County's general fund, most notably the County's enterprise funds, internal service funds and special revenue funds (these fund types are described more fully in the Budget Guide section of this document). Although these funds are designed to be self-sustaining, they must contend with certain special factors that threaten their financial stability: they are much smaller than the general fund; they support specific, limited services; and they tend to rely on a narrower and less diverse set of revenue sources. For example, the Stormwater Management Enterprise Fund receives the bulk of its monies from an ad valorem property tax, making this fund vulnerable to potential fluctuations in that single revenue source. To minimize fiscal volatility in these funds, the County policy calls for maintaining adequate reserve levels in each fund group, as well as making needed expenditure reductions to restore a structural balance. The County also strives to maintain a positive fund balance in all special revenue funds.

5. Debt Management Policies

MAINTAIN SOUND DEBT MANAGEMENT

The County is committed to keeping its debt level low despite rising needs for capital projects. Prince George's County debt level remains well below its self-imposed and statutory limits. Article 25A of the Annotated Code of Maryland states that the aggregate amount of indebtedness outstanding at the time of issuance shall not exceed 6% of the County's assessable base of real property plus 15% of the County's assessable base of personal property. In recent years, the County has successfully kept its net direct debt to assessable value ratio below 2%. The County's outstanding debt was $1.76 billion, leaving a legal debt margin of $5.87 billion.

While the current debt level is well below the statutory ceiling, the County adopts a more restrictive internal policy that requires that the ratio of debt service to County source revenues not exceed 8%. The debt level needs to be monitored closely in coming years as debt service payments are projected to pick up in the foreseeable future due to anticipated new debt to fund CIP projects and the expiration of one-time resources in out-years. The County also follows a strategy of retiring debt rapidly to mitigate debt obligations in future years and refinancing existing debt where applicable to generate savings. The anticipated bond sales in FY 2024 and FY 2025 will be conducted in accordance with the County's debt policies.

In addition, the County has been utilizing alternative resources other than general obligation bond revenue to fund capital projects. It plans to continue to include school surcharge, telecommunications tax and PAYGO capital revenues in its future CIP programs. Budgeting PAYGO funds annually helps lower long-term debt burdens and allows the County to follow best practices recommended by bond rating agencies. In FY 2025, the proposed budget includes $9.5 million in PAYGO funds. This includes funding from the Video Lottery Terminal (VLT) - MD 210 Improvement ($6,500,000) and the Office of Information Technology CIP projects ($3,000,000).

6. Cash Management/Investment Policies

MAINTAIN SOUND INVESTMENT MANGEMENT POLICY

The County Council adopted its investment policy in September 1995 (CR-52-1995). The local policy was subsequently amended in September 1998 and February 2006 due to changes in the Maryland State law.

The policy applies to the investment of all unexpended or surplus funds of the County. These funds are accounted for in the County's Comprehensive Annual Financial Report and include the general fund, special revenue funds, capital project funds, enterprise funds, debt service funds, internal service funds, trust and agency funds. The policy does not cover the investment activities of pension funds. The funds are administered by separate trustees.

The primary objectives for the management of County funds are to (a) protect investment principal in the overall portfolio, (b) ensure sufficient liquidity to meet all cash flow requirements which might be reasonably anticipated and (c) maximize investment return consistent with risk limitations and prudent investment policies.

These objectives are met by implementing the following policies:

1. The County's investment officials shall use the "prudent person" standard in the context of managing an overall portfolio, considering the probable safety of their capital as well as the probable income to be derived.
2. The investment officials involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions.
3. The County will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, authorized pools and money market funds, no more than 50% of the County's total investment portfolio will be invested in a single security type or with a single financial institution.
4. To the extent possible, the County will attempt to match investments with anticipated cash flow requirements. The County will not directly invest in securities maturing more than one year from the date of purchase, except for the investment of bond proceeds which may be invested up to three years.
5. Regarding suitable investments, the County's investments will conform without exception to Article 95, Section 22 and Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland.
6. The County will maintain a system of adequate internal controls to be compliant with the investment program policy and procedures.
7. The County will hold periodic investment strategy meetings with officials and document the resulting investment strategy approved to meet the policy.

7. Financial Reporting Policies

The County's accounting and financial reporting systems will be maintained in conformance with all State and federal laws, generally accepted accounting principles (GAAP) and standards of the GASB and the Government Finance Officers Association (GFOA). Each year, an independent accounting firm performs an annual audit and issues an audit opinion that is included in the County's published Annual Comprehensive Financial Report (ACFR). The County aims to achieve an unqualified audit opinion, meaning that the financial records and statement are fairly and appropriately presented. The County Government's FY 2023 ACFR received an unqualified audit opinion.

The County's ACFR is submitted to the GFOA Certification of Achievement in Excellence in Financial Reporting Program annually. The financial report should be in conformity with finance related legal and contractual provisions, disclose thoroughness and detail sufficiency, and minimize ambiguities and potentials for misleading inferences. It is important to note that the County has been participating in GFOA's Certification of Achievement in Excellence in Financial Reporting Program and Distinguished Budget Presentation programs for over 20 years.

The County's budget is submitted to GFOA Distinguished Budget Presentation Program annually. The budget should satisfy criteria as a financial and programming policy document, as a comprehensive financial plan, as an operation's guide for all organizational units, and as a communication device for all significant budgetary issues, trends and resource choices. The County's budget has received the GFOA's Distinguished Budget Presentation Award for many years. Moreover, its FY 2015 budget received a special recognition from GFOA for its performance measures, making the County the only government in Maryland and in DC metropolitan areas that received this special recognition that year.

Financial systems will maintain and enhance internal controls to monitor revenues, expenditures and program performance on an ongoing basis. In FY 2025, bimonthly financial reports will continue to be provided to elected officials and senior management to help make immediate budget and policy adjustments where needed.