



PRINCE GEORGE'S COUNTY GOVERNMENT

Office of the County Executive

Angela D. Alsobrooks
County Executive

March 17, 2020

The Honorable Todd M. Turner, Esq. Chair
Prince George's County Council
County Administration Building
14741 Governor Oden Bowie Drive
Upper Marlboro, Maryland 20772

Dear Chair Turner:

Enclosed for your consideration are comments and recommendations for the Proposed FY 2021 Annual Budget of the Maryland-National Capital Park and Planning Commission (M-NCPPC). The comments are based on the original budget proposal submitted by M-NCPPC on January 15, 2020.

The M-NCPPC's FY 2021 proposed budget totals \$381.9 million net of designated reserves, including Enterprise, Special Revenue, and Park Debt. This represents an increase of \$6.7 million or 1.8% over the adopted amount for FY 2020. The increase in the FY 2021 operating budget proposal is primarily due to the Park Fund and Recreation Fund. This increase is primarily due to increased PAYGO financing for capital improvements. The Park debt decreased by \$0.2 million, or 1.5%, under the FY 2020 adopted budget. The capital improvement program (CIP) budget is \$ 63.7 million a decrease of \$11.1 million, or 14.9%, under the FY 2020 budget.

The budget for the three-major tax-supported funds – Administration, Park and Recreation Funds, excluding reserves – totals \$339.3 million, an increase of \$6.6 or 2.0%. Additionally, \$19.3 million has been budgeted for the Enterprise Funds, which is a \$0.3 million or 1.4% increase over last year.

I commend the Commission for proposing an operating budget that remains within the Spending Affordability Committee (SAC) spending ceilings. I look forward to working with you and other members of the County Council to ensure that future spending plans do not necessitate future tax increases.

SIGNIFICANT ISSUES

- Property Taxes – The majority of the Commission's current operating revenues are derived from property taxes. The tax rates for FY 2021 are unchanged from FY 2020 at 29.4 cents for real property and 73.5 cents for personal property. It should be noted that the Commission has been able to maintain services without an increase in the total tax rate in FY 2021. This has been possible through innovative fiscal management strategies and a collaborative working relationship between the Commission and the County Executive and County Council. The FY 2014 tax rate shift to stabilize the Administration and Recreation funds is an example of an approach taken to maintain services while

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property tax revenues plummeted, without raising overall tax rates. The FY 2021 budget assumes no advance land acquisition debt service fund property tax because no debt service payment is anticipated.

- The Commission's estimated property tax revenue for FY 2021 is based on the assumptions of a 3.92% increase in its real property assessable base, an increase 21% based on an increase in interest income and payment in lieu of taxes revenues. We will continue to monitor the growth of the expenses compared to the moderate growth of revenues.
- Expenditures – I continue to welcome the Commission's efforts to address cost drivers and liabilities in the FY 2021 Proposed Budget. As the economy continues to recover, property tax remains as the primary source of revenue at 76.5%, I recommend the Commission continue to embrace new revenue and savings opportunities. I also urge the Commission to continue examining all wage enhancements and make the appropriate adjustments on a timely basis based on affordability.
- Project Charges – In past years, per agreement, the Commission has transferred payments ("project charges") to the County, outside agencies and other entities for certain services provided. These funds support continuing operations for both the County and outside agencies. In FY 2013, we began working together with the Commission on a plan reducing project charges gradually, to help better align project charges with services provided that meet the Commission's mission and long-term fiscal sustainability. The Commission took the first step in this plan in FY 2013 by reducing project charges by nearly \$5 million. Beginning in FY 2014, the Commission reduced project charges each year by an additional \$1.5 million, \$1.2 million, \$65,000, \$475,000, \$1.1 million, \$2.5 million and \$0.9 million. In FY 2021, the Commission plans reduction of \$0.9 million. This effort is a key measure in rebalancing resource allocation. The allocation of project charges proposed by the Commission is not consistent with what the County included as project charges from the M-NCPPC in the County's proposed FY 2021 General Fund Revenues.

However, the County will work diligently with the M-NCPPC to come to an agreement.

- Fund Balance – The Commission's FY 2021 proposed budget would result in a projected ending total fund balance of \$205.2 million, including undesignated fund balance of \$215.8 million at the end of FY 2020. This represents a decrease of \$10.6 million under the FY 2020 estimated fund balance. In total, the FY 2021 Proposed Budget uses \$10.6 million of fund balance. The majority of fund balance used is in the Park Fund (\$14.4 million), which has the most fund balance available. Each of the funds has the fiscal capacity and remains stable within the planned uses of fund balance over the next five years. The

Commission anticipates that the fund balance will continue to decrease in the future as revenues are projected to experience moderate growth in the next few years. With the existing fund balance levels and a well-designed multi-year plan to control expenditure growth, the Commission can sustain its operations with a focus on its core services through FY 2025 without requesting an increase in tax rate.

- Fringe Benefits – Like the County, the Commission faces financial pressure as a result of rising health and pension costs, especially in light of the Governmental Accounting Standards Board Statement 45 requirement regarding OPEB. The Commission's proposed budget includes prefunding for OPEB liabilities based on an eight-year phase-in plan. Greater growth in health insurance costs is being offset by restructuring employee's benefits and wellness initiatives. This is the seventh year of the phase in of the increased cost sharing, with the first increase on January 1, 2013. However, OPEB costs for FY 2021 are expected to be \$1.0 million or a 10.8% increase under FY 2020 totaling \$10.7 million. I support M-NCPPC's efforts to stay close to its multi-year plan towards full funding for OPEB, and also commend the Commission for exploring options to limit the Commission's fringe benefit cost increases in general (health, pension, etc.) for its long-term sustainability.

CAPITAL IMPROVEMENT PROGRAM

The Commission's continued focus includes the renovation and expansion of existing park and recreational facilities, increased youth programs, incorporating more health and wellness, continued efforts in land preservation and restoration. The Commission will also continue the implementation of the Formula 2040 goals in FY 2021.

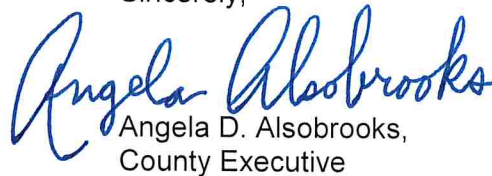
The Commission's FY 2021 budget proposes a capital budget of \$63.7 million in FY 2021 for park acquisition and park development. This plan includes \$6.0 million in acquisition projects, \$20.2 million in development projects and \$37.5 million in infrastructures maintenance. Of the total funding, \$3.0 million is from Program Open Space funding, \$10.3 million is from bonds, \$2.0 million is from developer contributions, the remaining \$48.8 million is PAYGO using operating fund balances and other funding.

The Commission uses the CIP to plan for facilities that will come on-line in the future and it builds upon the FY 2021-2026 Six-Year CIP which provides funding for new projects while continuing to emphasize maintenance and renovation of existing park infrastructure. I agree with the concept of aligning the six-year CIP plan to match the Commission's project delivery capacity and resource availability. I also understand the need to explore options to alleviate the spending pressure of the CIP plan on the Commission's operating budget in terms of PAYGO transfers, bond financing, startup costs, and costs to maintain and operate new CIP projects. I would encourage the Commission to continue to work closely with the County Council, the local communities and my Administration to study the associated impact of project deferrals and incorporate key stakeholders' input in prioritizing the projects before final decisions are made.

SUMMARY

I appreciate the Commission's efforts to begin making the investments necessary to ensure that existing services and facilities are in the proper condition to meet the public's needs in the present and future. The longer these needs are deferred the more expensive they will become to address in the future. Both our residents and businesses appreciate any opportunity to save money and grow responsibly. I look forward to working with the Commission and the County Council as you consider the Commission's FY 2021 budget.

Sincerely,



Angela D. Alsobrooks,
County Executive