

## Non-Departmental Fiscal Year 2023 Budget Review Summary

### Proposed FY 2023 Operating Budget

#### Expenditures by Category Type

| Category             | FY 2021<br>Actual    | FY 2022<br>Budget     | FY 2022<br>Estimate   | FY 2023<br>Proposed   | \$<br>Change         | %<br>Change |
|----------------------|----------------------|-----------------------|-----------------------|-----------------------|----------------------|-------------|
| Debt Service         | \$150,105,593        | \$ 170,862,700        | \$ 162,937,400        | \$ 179,430,000        | \$ 8,567,300         | 5.0%        |
| Grants and Transfers | 33,223,807           | 42,422,500            | 43,034,600            | \$ 43,216,200         | \$ 793,700           | 1.9%        |
| Operational Exp.     | 124,063,485          | 126,474,400           | 124,559,400           | \$ 131,695,000        | \$ 5,220,600         | 4.1%        |
| Contingency          | -                    | 13,800,000            | -                     | 21,800,000            | \$ 8,000,000         | 58.0%       |
| <b>Total</b>         | <b>\$307,392,885</b> | <b>\$ 353,559,600</b> | <b>\$ 330,531,400</b> | <b>\$ 376,141,200</b> | <b>\$ 22,581,600</b> | <b>6.4%</b> |

### FY 2023 Proposed Budget – Key Highlights

#### Debt Service

- In FY 2023, the County plans to issue new General Obligation (GO) Bonds of approximately \$255.4 million. The main factor behind the debt issuance continues to be the construction of public schools, followed by road repair and roadway enhancements. The County is planning to issue bonds (not to exceed approximately \$345.9 million in May 2022 to support various school construction and other County building projects.
- The County's is projected debt ceiling ratio for FY 2023 is 8.0%, which will be at the County's 8% policy-imposed debt ceiling. The Office of Management and Budget (OMB) hopes to manage the debt ceiling in the future by delaying CIP projects where construction had not already commenced and pushing future CIP projects out to later years when necessary. Refer to chart on pg. 4 of the FY 2023 Non-Departmental report for more details.

#### Grants and Transfers

- FY 2023 Grants to Community Organizations is proposed at approximately \$6.9 million, which is approximately \$1.7 million, or 20.1%, below the FY 2022 Approved Budget. The decrease is mainly due to a reduction in County Council Non-Departmental grants.
- FY 2023 Transfers to CIP is proposed at approximately \$12.4 million and includes funding for the following projects: Suitland Manor (approximately \$1.7 million), Glenarden Apartments (\$810,000), Video Lottery Terminal (VLT)-MD 210 Improvement (approximately \$6.5 million) and Board of Education CIP projects (approximately \$3.4 million).

#### Operational Expenditures

- OMB reports that Certificate of Participation (COP) purchases are scheduled for FY 2023 in the amount of \$25.0 million. However, the specific equipment items to be purchased is still being finalized with County agencies. In FY 2022, the County committed \$25.0 million for COP purchases.

#### Contingency

- The FY 2023 Proposed Budget includes \$21.8 million in Contingency to support potential countywide salary improvements for employees. The specific type of adjustments will be determined based on the final union contract agreements, which are currently under negotiation. The FY 2022 contingency budget of \$13.8 million will be allocated to each agency via a supplemental appropriation by the end of the fiscal year.

#### COVID-19 Grant Funds

- In FY 2022 the County is estimated to spend a total of approximately \$57.7 million in grant funding from Federal and State sources to address COVID-19 related costs. Refer to pages 13-14 of the full Non-Departmental report and the FY 2023 Proposed Operating Budget Book pgs. 715-724 for a breakdown of how these funds will be allocated to and spent by specific County agencies.

**Economic Development Incentive (EDI) Fund**

- The FY 2023 Proposed Budget projects the use of \$9 million from the EDI Fund and remains unchanged from the FY 2022 approved level. The ending fund balance is estimated at approximately \$22.9 million in FY 2022, and approximately \$15.6 million in FY 2023.

**Fund Balance**

- Before any end of the year assignments and current year usage of fund balance, the FY 2022 unassigned fund balance is expected to be at approximately \$205.8 million, which is a reduction of approximately \$29.6 million from FY 2021 balance of approximately \$235.4 million. The use of fund balance in FY 2022 will be determined during the closeout process, however it is estimated that no fund balance be utilized in FY 2022 or FY 2023. *Refer to chart on pg. 5 of the FY 2023 Non-Departmental report and OMB FY 2023 First Round Responses to Questions #14-15 for more details and calculations.*



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

May 2, 2022

### MEMORANDUM

TO: Edward P. Burroughs, III, Chair  
Government Operations and Fiscal Policy (GOFP) Committee

THRU: Turkessa M. Green, County Auditor *TMG*

FROM: Larry Whitehurst Jr., Audit Manager *LW*

RE: Non-Departmental  
Fiscal Year 2023 Budget Review

#### Budget Overview

The FY 2023 Proposed Budget for the Non-Departmental section is approximately \$376.1 million. This is an increase of approximately \$22.6 million, or 6.4%, over the FY 2022 Approved Budget. This increase is primarily related to increases in Debt Service, Grants and Transfers, Operational Expenditures and Contingency categories. The Non-Departmental section of the proposed budget provides funding to manage resources and indirect costs for activities that are not assigned to a specific department or agency, and is funded entirely by the General Fund.

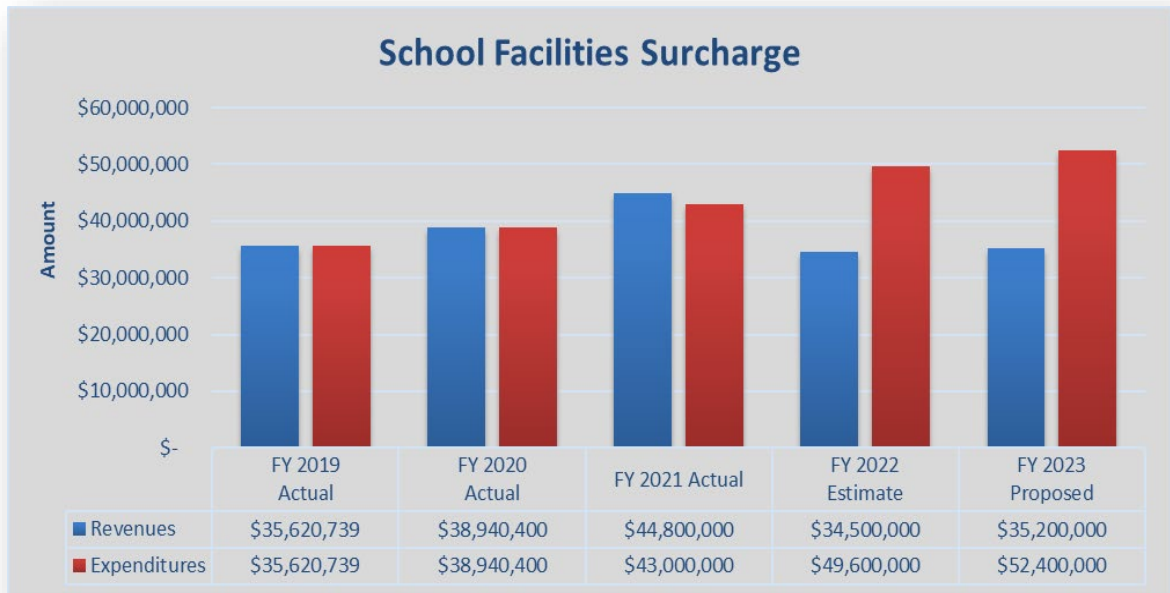
#### Budget Comparison - General Fund

Approved Fiscal Year 2022 to Proposed Fiscal Year 2023

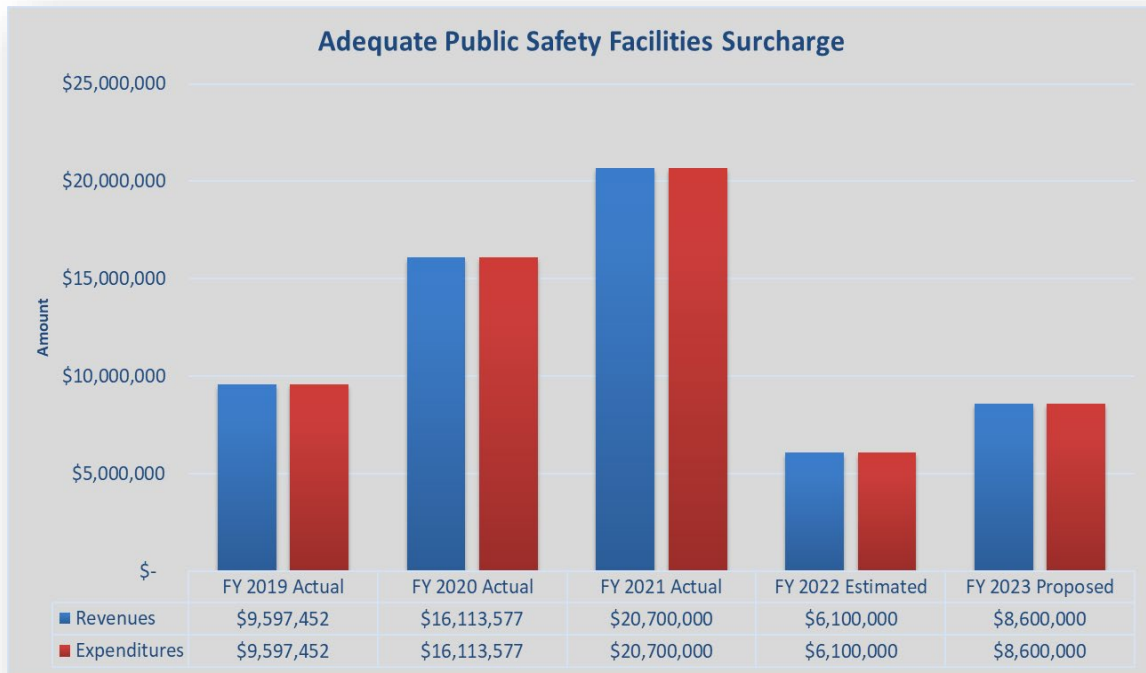
| Category                 | FY 2021<br>Actual     | FY 2022<br>Approved   | FY 2022<br>Estimated  | FY 2023<br>Proposed   | \$<br>Change         | %<br>Change |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-------------|
| Debt Service             | \$ 150,105,593        | \$ 170,862,700        | \$ 162,937,400        | \$ 179,430,000        | \$ 8,567,300         | 5.0%        |
| Grants and Transfers     | 33,223,807            | 42,422,500            | 43,034,600            | 43,216,200            | 793,700              | 1.9%        |
| Operational Expenditures | 124,063,485           | 126,474,400           | 124,559,400           | 131,695,000           | 5,220,600            | 4.1%        |
| Contingency              | -                     | 13,800,000            | -                     | 21,800,000            | 8,000,000            | 58.0%       |
| <b>Total</b>             | <b>\$ 307,392,885</b> | <b>\$ 353,559,600</b> | <b>\$ 330,531,400</b> | <b>\$ 376,141,200</b> | <b>\$ 22,581,600</b> | <b>6.4%</b> |

**Debt Issuance and Service**

- Debt Service is proposed at approximately \$179.4 million for FY 2023, which represents an increase of approximately \$8.6 million, or 5.0%, over the FY 2022 Approved Budget. The increase is attributed to anticipated costs associated with scheduled bond principal and interest payments.
- The County is planning to issue bonds with a projected interest rate of 5% (not to exceed \$345.9 million) in May 2022 to support various school construction and other County building projects. In FY 2023, the County plans to issue new General Obligation (GO) Bonds of approximately \$255.4 million. The main factor behind the debt issuance continues to be the construction of public schools, followed by road repair and roadway enhancements.
- Beginning in FY 2001, school surcharge revenues have been used to offset part of the cost of new school construction projects. Beginning in FY 2007, part of the telecommunication tax revenue was set aside each year in a separate capital project fund and has been used to support school construction bonds. These revenues are applied to debt service costs and are accounted for in this section as a reduction or recovery to debt service expenses. In FY 2023, school surcharge expenditures are proposed at approximately \$52.4 million, an increase of approximately \$2.8 million, or 5.6%, above the FY 2022 estimated expenses, with a projected fund balance in FY 2023 of approximately \$33.9 million (please see chart below).



- Since 2005, the County has been authorized to use the Adequate Public Safety Facilities Surcharge (Public Safety Surcharge) revenues to support debt service costs for improvements to public safety facilities. In FY 2020 and 2021, the actual amount of public safety surcharge revenues totaled approximately \$16.1 million and \$20.7 million, respectively (please see chart below). Historically, due to the volatility of public safety surcharge collections, typically what is collected in one fiscal year is appropriated in the following year. In FY 2023, Public Safety Surcharge expenditures are proposed at \$8.6 million, an increase of approximately \$2.5 million, or 41%, above the FY 2022 estimated expenses (please see chart below).



- Currently, there is no existing fund balance. FY 2021 Public Safety Surcharge collections were used to support the debt service costs for the following projects:
  - Fire Department Self-Contained Breathing Apparatus equipment (approx. \$1.5 million);
  - Hyattsville Fire/EMS Station #801 (approx. \$2.6 million);
  - Shady Glen Fire/EMS Station (approx. \$5.4 million);
  - Police Station Renovations (approx. \$2.3 million);
  - Forensic Lab (approx. \$2 million);
  - Fire Station Renovations (approx. \$1.9 million);
  - National Harbor Public Safety Building (approx. \$1.5)
  - Water Storage Tanks (approx. \$400,000)
  - Driver Training Facility and Gun Range (approx. \$3.1 million).

- County policy requires that the ratio of debt service to County source revenues not exceed 8.0% to ensure debt payments do not overburden operating resources. As the chart below indicates, the actual ratio from FY 2018 through FY 2021 has averaged 6.0%. The use of school surcharge collections and bond premiums can continue to help mitigate the overall growth of debt service and help reduce debt service costs in future years.

| <b>Time Period</b> | <b>Net Debt Service</b> | <b>Debt Ceiling @ 8%</b> | <b>Remaining Debt Service Capacity</b> | <b>Debt * Service %</b> | <b>County Source Revenue</b> |
|--------------------|-------------------------|--------------------------|--|-------------------------|------------------------------|
| Actual FY 2018     | \$100,853,322           | \$157,004,732            | \$56,151,410                           | 5.1%                    | \$1,962,559,153              |
| Actual FY 2019     | \$110,208,610           | \$165,112,600            | \$54,903,990                           | 5.3%                    | \$2,063,907,300              |
| Actual FY 2020     | \$132,948,253           | \$169,334,709            | \$36,386,456                           | 6.3%                    | \$2,116,683,860              |
| Actual FY 2021     | \$156,945,849           | \$176,452,196            | \$19,506,347                           | 7.1%                    | \$2,205,652,451              |
| Proj. FY 2022      | \$166,245,827           | \$176,939,080            | \$10,693,253                           | 7.5%                    | \$2,211,738,499              |
| Proj. FY 2023      | \$180,663,495           | \$181,440,000            | \$776,505                              | 8.0%                    | \$2,268,000,000              |
| Proj. FY 2024      | \$187,857,553           | \$186,861,352            | (\$996,201)                            | 8.0%                    | \$2,335,766,900              |
| Proj. FY 2025      | \$200,182,088           | \$194,024,692            | (\$6,157,396)                          | 8.3%                    | \$2,425,308,650              |
| Proj. FY 2026      | \$212,769,504           | \$201,532,409            | (\$11,237,095)                         | 8.4%                    | \$2,519,155,115              |
| Proj. FY 2027      | \$226,905,508           | \$207,908,204            | (\$18,997,304)                         | 8.7%                    | \$2,598,852,554              |

- In FY 2023, the Office of Management and Budget (OMB) projects that the debt service ratio will increase to 8.0%. Based on this projection, the County will be at the 8% policy-imposed debt ceiling. If this debt ceiling is exceeded there wouldn't be any remaining debt service capacity that could be leveraged to fund additional Capital Improvement Program (CIP) projects. OMB has previously reported that several factors, such as increased revenues, higher or lower interest rates, refinancing options, the issuance and retirement of debt, and the costs of current and future CIP projects, could potentially affect the debt ceiling in the future. Possible strategies to curve the rising debt service are:
  - Reducing the size of the overall CIP until revenues can support the growth;
  - Use of more Pay As You Go (PAYGO) to finance projects; and,
  - Postponing projects.
- The chart on the following page details the County's fund balance level from Actual FY 2019 to Projected FY 2023.

| General Fund - Fund Balance  |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fund Balance Designation   | FY 2019<br>Actual     | FY 2020<br>Actual     | FY 2021<br>Actual     | FY 2022<br>Estimated  | FY 2023<br>Projected  |
| <b>Restricted</b>  |                       |                       |                       |                       |                       |
| Economic Stabilization (5%)  | \$ 172,149,835        | \$ 182,099,490        | \$ 188,595,465        | \$ 213,741,745        | \$ 209,976,300        |
| Equipment Purchases  | 36,326,106            | 26,477,101            | 56,017,874            | -                     | -                     |
| <b>Total Restricted</b>  | <b>\$ 208,475,941</b> | <b>\$ 208,576,591</b> | <b>\$ 244,613,339</b> | <b>\$ 213,741,745</b> | <b>\$ 209,976,300</b> |
| Committed - Operating Reserve (2%)   | 68,859,934            | 72,839,796            | 75,438,186            | 85,496,698            | 83,990,520            |
| <b>Assigned</b>  |                       |                       |                       |                       |                       |
| Economic Development   | \$ 33,503,806         | \$ 32,432,547         | \$ 26,868,493         | \$ 22,903,793         | \$ 15,553,793         |
| Local Impact Grant   | 2,335,582             | 1,949,425             | 3,242,990             | -                     | -                     |
| Summer Youth Enrichment Program  | 1,290,315             | 1,588,760             | 1,043,551             | -                     | -                     |
| Property Sales and Acquisition & HIT   | 6,698,108             | 5,488,549             | 5,551,807             | -                     | -                     |
| Risk Management Fund   | -                     | 8,000,000             | 16,000,000            | -                     | -                     |
| TNC/LYFT   | 7,827,827             | 10,025,459            | 11,483,479            | -                     | -                     |
| OPEB   | 12,000,000            | 8,000,000             | 16,000,000            | -                     | -                     |
| Rosecroft  | -                     | -                     | 1,138,100             | -                     | -                     |
| Public Safety Surcharge  | 124,769               | 124,769               | -                     | -                     | -                     |
| Stadium Impact   | 648,186               | 648,186               | 648,186               | -                     | -                     |
| <b>Total Assigned</b>  | <b>\$ 64,428,593</b>  | <b>\$ 68,257,695</b>  | <b>\$ 81,976,606</b>  | <b>\$ 22,903,793</b>  | <b>\$ 15,553,793</b>  |
| Unassigned   | 235,564,370           | 176,189,105           | 235,411,143           | 205,809,351           | 167,780,574           |
| <b>Total</b>   | <b>\$ 577,328,838</b> | <b>\$ 525,863,187</b> | <b>\$ 637,439,274</b> | <b>\$ 527,951,587</b> | <b>\$ 477,301,187</b> |
| Annual Change Amount   |                       | \$ (51,465,651)       | \$ 111,576,087        | \$ (109,487,687)      | \$ (50,650,400)       |
| Annual Percentage Change   |                       | -8.9%                 | 21.2%                 | -17.2%                | -9.6%                 |
| <b>Fund Balance* as a % of General Fund Budget</b>   | 14.3%                 | 12.4%                 | 13.9%                 | 11.9%                 | 11.0%                 |
| <b>* Fund Balance includes only economic stabilization (5%), operating reserve (2%), and unassigned designations</b> |                       |                       |                       |                       |                       |

- The County has maintained a designated fund balance above the charter-mandated Restricted Reserve (5% of budget), and the policy-required Committed-Operating Reserve (2%) in order to control the County's exposure to financial risks and provide reserves in the event of emergencies. The Fund Balance as a percentage of the General Fund budget has shown a decrease from 14.3% in FY 2019 to 13.9% in FY 2021. Before any end of the year assignments and current year usage of fund balance, the FY 2022 percentage is expected to decrease to 11.9%. The use of fund balance in FY 2022 will be determined during the closeout process, however at this time there is no plan to use any fund balance in FY 2022 or FY 2023. However, the OMB noted that results of pending union collective bargaining negotiations could require the usage of fund balance.
- The Office of Management and Budget (OMB) reports a projected Risk Management Fund balance deficit of \$200 million for FY 2022. The estimated accident/injury claims payments for FY 2022 is \$33 million. OMB is working to address the deficit but will continue to cover costs on a Pay As You Go (PAYGO) basis.
- The County's current bond rating is AAA by all major bond rating agencies.

**Grants and Transfer Payments**

- FY 2023 proposed Grants and Transfer Payments category totals approximately \$43.2 million, an increase of \$793,700 million, or 1.9%, above the FY 2022 Approved Budget. The increase is primarily due to additional funding for transfers to capital improvement programs.
- The following chart details the various line items included in the Grants and Transfer Payments category proposed for FY 2023 compared to Approved FY 2022:

**GRANTS & TRANSFER PAYMENTS**

| Grants and Transfers                        | FY 2021             | FY 2022             | FY 2022             | FY 2023             | Change FY22-FY23 |             |
|---|---------------------|---------------------|---------------------|---------------------|------------------|-------------|
|   | Actual              | Budget              | Estimate            | Proposed            | Amount (\$)      | Percent (%) |
| Grants to Community Organizations           | \$8,632,650         | \$8,632,000         | \$8,632,000         | \$6,900,000         | (\$1,732,000)    | -20.1%      |
| Required Payments                           | 340,204             | 447,500             | 482,900             | 447,500             | -                | 0.0%        |
| Economic Development Corporation            | 4,247,700           | 3,739,100           | 3,739,100           | 3,889,100           | 150,000          | 4.0%        |
| Employ Prince George's                      | 1,851,700           | 1,833,100           | 1,833,100           | 1,922,300           | 89,200           | 4.9%        |
| Financial Services Corporation              | 1,203,100           | 1,094,800           | 1,094,800           | 1,094,800           | -                | 0.0%        |
| Prince George's Community Television        | 1,016,000           | 924,600             | 924,600             | 924,600             | -                | 0.0%        |
| Experience Prince George's                  | 1,341,400           | 1,228,900           | 1,228,900           | 1,228,900           | -                | 0.0%        |
| Memberships                                 | 737,814             | 772,100             | 772,100             | 847,100             | 75,000           | 9.7%        |
| Strategic Goals Initiative                  | 1,080,117           | 500,000             | 500,000             | 1,500,000           | 1,000,000        | 200.0%      |
| University of Maryland Medical System       | 5,000,000           | 4,329,800           | 4,329,800           | 4,142,300           | -                | 0.0%        |
| Prince George's Arts and Humanities Council | -                   | -                   | -                   | 400,000             | -                | -           |
| Other Payments                              | 4,844,867           | 7,297,700           | 7,297,700           | 7,497,700           | 200,000          | 2.7%        |
| Transfers to Other Funds                    | -                   | 500,000             | 500,000             | -                   | (500,000)        | 0.0%        |
| Transfers to Capital Improvement Program    | 2,928,255           | 11,122,900          | 11,699,600          | 12,421,900          | 1,299,000        | 11.7%       |
| <b>Total Expenditures</b>                   | <b>\$33,223,807</b> | <b>\$42,422,500</b> | <b>\$43,034,600</b> | <b>\$43,216,200</b> | <b>\$793,700</b> | <b>1.9%</b> |

Source: FY 2023 Proposed Operating Budget Book pg. 671

- FY 2023 Grants to Community Organizations is proposed at approximately \$6.9 million, which is approximately \$1.7 million, or 20.1%, below the FY 2022 Approved Budget. The proposed budget allocates grants to community-based organizations serving County residents and is depicted in the chart on the following page. A listing of Actual FY 2021 and FY 2022 YTD amounts for the County Executive grants is included in *Attachment 1 of the Non-Departmental First Round Budget Review Responses*.



| Grants to Community Organizations |                    |                     |                      |                     |                      |               |
|-----------------------------------|--------------------|---------------------|----------------------|---------------------|----------------------|---------------|
| Category                          | FY 2021<br>Actual  | FY 2022<br>Approved | FY 2022<br>Estimated | FY 2023<br>Proposed | \$<br>Change         | %<br>Change   |
| <b><u>County Executive</u></b>    |                    |                     |                      |                     |                      |               |
| County Executive                  | \$2,298,500        | \$2,282,000         | \$2,282,000          | \$2,550,000         | \$268,000            | 11.7%         |
| <b><u>County Council</u></b>      |                    |                     |                      |                     |                      |               |
| Special Appropriation Grants      | \$1,100,000        | \$1,100,000         | \$1,100,000          | \$1,100,000         | \$ -                 | 0.0%          |
| Non-Dep. Grants                   |                    |                     |                      |                     |                      |               |
| Per Budget Ordinance              | 500,000            | 250,000             | 250,000              | 150,000             | (100,000)            | -40.0%        |
| Grants-Other                      | 4,734,150          | 5,000,000           | 5,000,000            | 3,100,000           | (1,900,000)          | -38.0%        |
| <b>Sub-Total County Council</b>   | <b>\$6,334,150</b> | <b>\$6,350,000</b>  | <b>\$6,350,000</b>   | <b>\$4,350,000</b>  | <b>(\$2,000,000)</b> | <b>-31.5%</b> |
| <b>TOTAL</b>                      | <b>\$8,632,650</b> | <b>\$8,632,000</b>  | <b>\$8,632,000</b>   | <b>\$6,900,000</b>  | <b>(\$1,732,000)</b> | <b>-20.1%</b> |

Source: FY 2023 First Round Budget Review Responses#5

- In FY 2023, the increase of \$268,000 in the County Executive grant amounts is due to the increase in funding for community organizations. The decrease of \$1.9 million in the County Council grant amounts is due to the reduction of Non-Departmental grants.
- The Office of the County Executive is reporting that in FY 2022 YTD, 144 applications have been received for funding for the County Executive’s “Community Partnership Grants,” and all applications were processed as well as screened and 120 applications were complete.
- In FY 2023, the payment to the University of Maryland Medical System is proposed at approximately \$4.1 million. The entire FY 2023 payment amount represents the required debt service designated to support system in partnership with the State of Maryland. Debt payments will end in FY 2025.
- FY 2023 “Other Payments” is proposed at approximately \$7.5 million, which is \$200,000, or 2.7%, above the FY 2022 Approved Budget. Funding reflects Local Impact Grant funds allocated to the County for public safety projects within 5 miles of Rosecroft Raceway (\$1,000,000), along with Video Lottery Terminal funds allocated for Local Development Council Community Impact Grants (\$850,000), Re-entry wrap around services (\$900,000), the Workforce Development and Training Program (\$637,700), Grants to the Excellence in Education Foundation (\$200,000), and a grant to support County developmental disability service providers (approx. \$3.8 million).
- FY 2023 “Strategic Goals Initiative” expenditures are proposed at \$1.5 million, which an increase of \$1 million when compared to the FY 2022 Approved Budget level. The increase is based upon anticipated spending that will take place in FY 2023. Historically, these funds have been used to support various outside charitable organizations and special events. See *Attachment 3* of the *FY 2023 Non-Departmental First Round Budget Review Responses* for FY 2021 actual and FY 2022 YTD estimated usage.

- The Economic Development Corporation (EDC) is proposed to receive a FY 2023 grant in the amount of approximately \$3.9 million, which is an increase of \$150,000, or 4.0%, above the FY 2022 approved level. The increase is to support the BuyPG Marketing program. [Please note the EDC budget will be reviewed before the PHED Committee on May 5, 2022.]
- The Financial Services Corporation (FSC) is proposed to receive a FY 2023 grant in the amount of approximately \$1.1 million, which is consistent with the FY 2022 approved level. [Please note the FSC budget will be reviewed before the PHED Committee on May 5, 2022.]
- The Prince George's Community Television (PGCTV) is proposed to receive a FY 2023 grant in the amount of \$924,600, which is consistent with the FY 2022 approved level.
- Experience Prince George's (ExPGC) is proposed to receive a FY 2023 grant in the amount of approximately \$1.2 million, which is consistent with the FY 2022 approved level. ExPGC receives a County grant in addition to hotel tax proceeds, as a result of CB-077-2016. [Please note the ExPGC budget will be reviewed before the PHED Committee on May 5, 2022.]
- Proposed FY 2023 membership costs are proposed at \$847,100, which is 9.7% more than the FY 2022 funding level of \$772,100. Refer to *Question 11 in the First Round Budget Review Responses* for a detailed breakdown of the actual FY 2021, budgeted FY 2022, and proposed FY 2023 membership fee costs.
- In FY 2023, there is no funding allocated to the Transfers to Other Funds category. In previous years funding in this category was allocated for the Housing Investment Trust Fund to support the Workforce Housing Gap Financing Program and the Down Payment and Closing Cost Assistance Program.
- FY 2023 Transfers to the Capital Improvement Program (CIP) is proposed at approximately \$12.4 million, which is approximately \$1.3 million, or 11.7%, above the FY 2022 Approved Budget. In FY 2023, the proposed budget includes funding for the Redevelopment Authority (approx. \$2.5 million), MD Route 210 (approx. \$6.5 million), Video Lottery Terminal-Board of Education CIP (approx. \$3.4 million). Refer to *Attachment#4 in the First Round Budget Review Responses* for a detailed breakdown of the actual FY 2021, budgeted FY 2022, and proposed FY 2023 Transfers to the CIP.

**Operational Expenditures**

- The total FY 2023 Proposed budget for Operational Expenditures is approximately \$131.7 million, an increase of approximately \$5.2 million, or 4.1%, above the FY 2022 Approved level. The following chart below details the various line-items included in the Operational Expenditures category proposed for FY 2023 compared to FY 2022:

**OPERATIONAL EXPENDITURES**

| Operational Expenditures                                  | FY 2021               | FY 2022               | FY 2022               | FY 2023               | Change FY22-FY23    |             |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|-------------|
|   | Actual                | Budget                | Estimate              | Proposed              | Amount (\$)         | Percent (%) |
| General Fund Insurance                                    | \$ 10,400,000         | \$ 10,400,000         | \$ 10,000,000         | \$ 10,400,000         | \$ -                | 0.0%        |
| Judgments and Losses                                      | -                     | 200,000               | 200,000               | 200,000               | -                   | 0.0%        |
| Postage   | 943,972               | 1,400,000             | 2,325,400             | 2,500,000             | 1,100,000           | 78.6%       |
| Equipment Leases  | 24,187,112            | 26,674,300            | 19,732,100            | 25,770,100            | (904,200)           | -3.4%       |
| Other Leases  | 21,470,520            | 24,507,000            | 25,734,700            | 28,979,100            | 4,472,100           | 18.2%       |
| Utilities   | 12,633,022            | 15,694,500            | 16,450,900            | 17,113,500            | 1,419,000           | 9.0%        |
| Streetlight Electricity                                   | 1,574,480             | 2,700,000             | 2,970,000             | 2,835,000             | 135,000             | 5.0%        |
| Traffic Signal Electricity                                | 93,663                | 150,000               | 165,000               | 157,500               | 7,500               | 5.0%        |
| Miscellaneous Expenses                                    | 13,951,671            | 7,082,600             | 9,735,600             | 8,030,100             | 947,500             | 13.4%       |
| Youth Employment Program                                  | 589,609               | 1,500,000             | 2,749,100             | 1,603,100             | 103,100             | 6.9%        |
| Automated Programs - Speed Camera, Red-Light, False Alarm | 6,338,250             | 8,934,400             | 7,265,000             | 6,875,000             | (2,059,400)         | -23.1%      |
| Comp Absences   | 211,903               | -                     | -                     | -                     | -                   | 0.0%        |
| State Debt Assumption - Principal and Interest payments   | 4,548,900             | -                     | -                     | -                     | -                   | -           |
| Deferred Compensation in Lieu of State Retirement         | (160,539)             | 200,000               | 200,000               | 200,000               | -                   | 0.0%        |
| Unemployment Insurance                                    | 475,000               | 475,000               | 475,000               | 475,000               | -                   | 0.0%        |
| Retiree Life Benefits/Annuities                           | 3,281,256             | 1,870,000             | 1,870,000             | 1,870,000             | -                   | 0.0%        |
| Retiree Health Benefits                                   | 28,039,065            | 28,048,400            | 28,048,400            | 28,048,400            | -                   | 0.0%        |
| <b>SubTotal</b>   | <b>\$ 128,577,884</b> | <b>\$ 129,836,200</b> | <b>\$ 127,921,200</b> | <b>\$ 135,056,800</b> | <b>\$ 5,220,600</b> | <b>4.0%</b> |
| <b>Expenditure Recoveries</b>                             |                       |                       |                       |                       |                     |             |
| Leases/Utilities  | \$ (3,441,554)        | \$ (2,751,800)        | \$ (2,751,800)        | \$ (2,751,800)        | -                   | 0.0%        |
| Postage   | -                     | (10,000)              | (10,000)              | (10,000)              | -                   | 0.0%        |
| Other   | (1,072,845)           | (600,000)             | (600,000)             | (600,000)             | -                   | 0.0%        |
| <b>SubTotal</b>   | <b>\$ (4,514,399)</b> | <b>\$ (3,361,800)</b> | <b>\$ (3,361,800)</b> | <b>\$ (3,361,800)</b> | <b>\$ -</b>         | <b>0.0%</b> |
| <b>Total</b>  | <b>\$124,063,485</b>  | <b>\$126,474,400</b>  | <b>\$124,559,400</b>  | <b>\$131,695,000</b>  | <b>\$5,220,600</b>  | <b>4.1%</b> |

Source: FY 2023 Proposed Operating Budget Book – Operational Expenditures Table – page 673

- The overall decrease of approximately \$900,000 in Equipment Leases is primarily attributed to FY 2021 Certificate of Participation (COP) purchases. Equipment Lease costs include 2012-2022 lease principal and interest payments, in addition to resources for voting machine rentals. Please refer to the table below for FY 2021 actual, FY 2022 estimated, and FY 2023 proposed lease costs.

| Equipment Lease                          | FY 2021<br>Actual    | FY 2022<br>Estimated | FY 2023<br>Proposed  |
|--|----------------------|----------------------|----------------------|
| FY 2012 COP (\$33.8M @ 11 years)         | \$ -                 | \$ 1,088,200         | \$ 888,800           |
| FY 2015 Capital Lease (\$19.6M)          | 2,038,790            | -                    | -                    |
| FY 2016 Capital Lease (\$10.1M)          | 3,014,238            | 21,600               | 1,530,500            |
| FY 2017 Capital Lease (\$8.5M)           | 1,551,045            | 1,551,000            | 1,551,000            |
| FY 2017 Capital Lease (Phase II \$22.3M) | 3,651,074            | 3,651,100            | 3,651,100            |
| FY 2018 Capital Lease (Phase I \$8.5M)   | 1,420,540            | 1,420,500            | 1,420,500            |
| FY 2018 Capital Lease (Phase II \$16M)   | 2,587,156            | 2,587,200            | 2,587,200            |
| FY 2019 Capital Lease (Phase I \$8.5M)   | 1,357,548            | 1,357,500            | 1,357,500            |
| FY 2019 Capital Lease (Phase II \$16M)   | 2,465,890            | 2,465,900            | 2,465,900            |
| FY 2020 Capital Lease (Phase I \$8.5M)   | 1,107,387            | 1,107,400            | 1,107,400            |
| FY 2020 Capital Lease (Phase II \$16.5M) | 1,223,606            | 2,447,200            | 2,447,200            |
| Current Year Equipment Financing         | -                    | -                    | 2,950,000            |
| Voter Machine Rental/Lease               | 3,769,838            | 2,034,500            | 3,813,000            |
| <b>Total</b>                             | <b>\$ 24,187,112</b> | <b>\$ 19,732,100</b> | <b>\$ 25,770,100</b> |

- OMB reports that Certificate of Participation (COP) purchases are scheduled for FY 2023 in the amount of \$25.0 million. However, the specific equipment items to be purchased has not been developed. In FY 2022, the County committed \$25 million for COP purchases. A preliminary listing of items to be included in the FY 2022 COP purchases can be viewed on *Attachment 6 of the FY 2023 Non-Departmental responses*.
- In FY 2023, Other Leases are proposed at approximately \$29.0 million, which represents an increase of approximately \$4.5 million, or 18.2%. The increase is attributed to the increased cost of leases for various properties. This category also includes \$11.4 million of funding to support debt service costs for public finance transactions for the Regional Medical Center. *See FY 2023 Non-Departmental First Round Budget Review Responses Attachment #7 for a detailed schedule of Other Leases for FY 2021 (actual), FY 2022 (estimated), and FY 2023 (proposed)*.
- The combined FY 2023 Proposed Budget for Utilities, Streetlight Electricity, and Traffic Signal Electricity is approximately \$20.1 million, which is an increase of approximately \$1.6 million when compared to FY 2022 approved level. OMB has provided additional details to support this budget line item in their response to *Questions 22-24 from their FY 2023 Non-Departmental First Round Budget Review Responses*.
- In FY 2023 funding for Miscellaneous Expenses is proposed at approximately \$8.0 million, which is an increase of approximately \$1.0 million when compared to the FY 2022 approved level. This category of expenses is for general and administrative services related to the implementation of the County's strategic plan, collection of emergency transportation fees, and payments to the State Department of Assessments and Taxation for administrative fees related to conducting County tax assessments (\$2.8 million in FY 2023). *See FY 2023 Non-Departmental First Round Budget Review Responses Attachment #9 for a detailed schedule of Miscellaneous Expenses for FY 2021 (actual), FY 2022 (estimated), and FY 2023 (proposed)*.

- Funding for the Youth Employment Program is proposed at \$1.6 million in FY 2023. *For more information on this program refer to the Office of Human Resources Management FY 2023 First Round response to Questions #22 and 23.*
- Proposed FY 2023 Judgments and Losses (\$200,000) and Deferred Compensation in Lieu of State Retirement (\$200,000) will remain unchanged from FY 2022 approved levels.
- In FY 2023, the proposed budget for expenses related to the Automated Programs (Speed Camera, Red-Light, and False Alarm) is approximately \$6.9 million, which is a decrease of approximately \$2.1 million when compared with the FY 2022 approved level. These costs are offset by revenue generated from the programs.
- In FY 2023, the proposed budget for Postage is \$2.5 million, which is an increase of \$1.1 million, or 78.6% above, the FY 2022 approved level. The increase is based upon anticipated need for postage in FY 2023 for mailing for the 2022 Gubernatorial election.
- In FY 2023, the proposed budget for General Fund Insurance is \$10.4 million, which is consistent with the FY 2022 approved level. This insurance is allocated to the various components of the County's Self-Insurance Fund and covers general liability, auto liability and property lease. Contribution levels are based on the results of an annual actuarial study.
- Proposed Expenditure Recoveries for FY 2023 total approximately \$3.4 million, which is consistent with the FY 2022 approved level. These recoveries are from non-general funds for charges for utilities, maintenance and equipment usage payments, retiree health insurance, and postage from various funds.

### **Contingencies**

- The FY 2023 Proposed Budget includes \$21.8 million in contingencies to support potential countywide salary adjustments for employees. The specific type of adjustments will be determined based on the final union contract agreements, which are currently under negotiation. The FY 2022 contingency budget will be allocated to each agency via a supplemental appropriation by the end of the fiscal year.

### **Economic Development Incentive Fund**

- The Economic Development Incentive (EDI) Fund was established in FY 2012 with an initial appropriation of \$50 million. The ending fund balance is estimated at approximately \$22.9 million in FY 2022, and approximately \$15.6 million in FY 2023. The FY 2023 Proposed Budget is projected the use of \$9 million from the EDI Fund and remains unchanged from the FY 2022 approved budgeted amount. This funding will be used to provide financial assistance in the form of loans, guarantees, and grants to benefit existing and potential industrial and commercial businesses in the County. The EDI Fund budget will be reviewed in detail during the FSC First and EDC budget reviews before the Planning, Housing and Economic Development (PHED) committee meeting on May 5, 2022. Please see the chart on the following page for a summary of the EDI Fund.

**Economic Development Incentive Fund Expenditure Summary**

| Category                  | FY 2021            | FY 2022            | FY 2022            | FY 2023            | Change FY22-FY23 |             |
|---------------------------|--------------------|--------------------|--------------------|--------------------|------------------|-------------|
|                           | Actual             | Budget             | Estimate           | Approved           | Amount (\$)      | Percent (%) |
| Compensation              | -                  | -                  | -                  | -                  | -                | 0.0%        |
| Fringe Benefits           | -                  | -                  | -                  | -                  | -                | 0.0%        |
| Operating                 | 6,410,319          | 9,000,000          | 4,090,900          | 9,000,000          | -                | 0.0%        |
| Capital Outlay            | -                  | -                  | -                  | -                  | -                | 0.0%        |
| <b>Total Expenditures</b> | <b>\$6,410,319</b> | <b>\$9,000,000</b> | <b>\$4,090,900</b> | <b>\$9,000,000</b> | <b>-</b>         | <b>0.0%</b> |

**Economic Development Incentive Fund Summary**

| Category                                    | FY 2021 | FY 2022              | FY 2022               | FY 2023               | Change FY22-FY23      |                       |               |
|---|---------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|   | Actual  | Budget               | Estimate              | Proposed              | Amount (\$)           | Percent (%)           |               |
| <b>BEGINNING FUND BALANCE</b>               |         | <b>\$32,432,547</b>  | <b>\$30,453,547</b>   | <b>\$26,868,493</b>   | <b>\$22,903,793</b>   | <b>(\$7,549,754)</b>  | <b>-24.8%</b> |
| <b>REVENUES</b>                             |         |                      |                       |                       |                       |                       |               |
| Interest Income                             |         | \$ 255,505           | \$ 350,000            | \$ 126,200            | \$ 350,000            | \$ -                  | 0.0%          |
| Loan Repayments (Principal and Interest)    |         | 590,528              | 1,300,000             | -                     | 1,300,000             | -                     | 0.0%          |
| Equity Investment Returns                   |         | -                    | -                     | -                     | -                     | -                     | 0.0%          |
| Federal Aid                                 |         | -                    | -                     | -                     | -                     | -                     | 0.0%          |
| State Aid                                   |         | -                    | -                     | -                     | -                     | -                     | 0.0%          |
| Miscellaneous Revenues                      |         | 233                  | -                     | -                     | -                     | -                     | 0.0%          |
| Appropriated Fund Balance                   |         | -                    | 7,350,000             | 3,964,700             | 7,350,000             | -                     | 0.0%          |
| <b>Total Revenues</b>                       |         | <b>\$ 846,266</b>    | <b>\$ 9,000,000</b>   | <b>\$ 4,090,900</b>   | <b>\$ 9,000,000</b>   | <b>\$ -</b>           | <b>0.0%</b>   |
| <b>EXPENDITURES</b>                         |         |                      |                       |                       |                       |                       |               |
| Small Business Loans and Grants             |         | \$ 6,410,319         | \$ 9,000,000          | \$ 4,090,900          | \$ 9,000,000          | \$ -                  | 0.0%          |
| <b>Total Expenditures</b>                   |         | <b>\$ 6,410,319</b>  | <b>\$ 9,000,000</b>   | <b>\$ 4,090,900</b>   | <b>\$ 9,000,000</b>   | <b>\$ -</b>           | <b>0.0%</b>   |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> |         | <b>(\$5,564,053)</b> | <b>-</b>              | <b>-</b>              | <b>-</b>              | <b>-</b>              | <b>0.0%</b>   |
| <b>OTHER ADJUSTMENTS</b>                    |         | <b>\$ (1)</b>        | <b>\$ (7,350,000)</b> | <b>\$ (3,964,700)</b> | <b>\$ (7,350,000)</b> | <b>\$ -</b>           | <b>0.0%</b>   |
| <b>ENDING FUND BALANCE</b>                  |         | <b>\$26,868,493</b>  | <b>\$ 23,103,547</b>  | <b>\$22,903,793</b>   | <b>\$15,553,793</b>   | <b>\$ (7,549,754)</b> | <b>-32.7%</b> |

**Grants**

- In FY 2022, the County is estimated to spend approximately \$57.7 million in grant funding received from various Federal and State programs to address the COVID-19 pandemic. A breakdown of the funding sources and the estimated amount to be spent are as follows:

| <b>Grant Name</b>   | <b>FY 2022 Estimate</b> |
|---|-------------------------|
| American Rescue Plan Act (ARPA)-<br>State and Local Fiscal Recovery Funds (SLFRF)             | \$ 45,353,500           |
| Coronavirus Aid, Relief and Economic Securities Act (CARES)-<br>Coronavirus Relief Fund (CRF) | 7,353,600               |
| Maryland (MD) Recovery Now-Nonprofit Relief Fund  | 3,008,100               |
| MD Dept. of Commerce COVID-19 Restaurant Assistance Program                                   | 188,100                 |
| MD Dept. of Commerce Prince George’s County Hotel Relief Grant                                | 1,013,500               |
| Online Sales and Telework   | 749,100                 |
| <b>TOTAL</b>  | <b>\$57,665,900</b>     |

For further details on some specific grant programs see the following:

- ***American Rescue Plan Act (ARPA)***- The County was awarded \$176.6 million of grant funding through the Coronavirus Local Fiscal Recovery Funds (SLFRF) Program by way of the American Rescue Plan Act of 2021 (ARPA). The plan required funds to be obligated between March 3, 2021, and December 31, 2024, and all obligations must be spent by December 31, 2026. Through the adoption of CR-67-2021, the County developed a multi-year spending plan, which proposed to spend funding over a four-year period. The County received its first payment of approximately \$88.3 million on June 1, 2021, and will received its second distribution on June 1, 2022. In FY 2022, the County is budgeted to allocate approximately \$73.1 million to capital improvement projects (pending legislation) and estimated to spend approximately \$45.4 million through all County agencies. *To see details of budgeted, actual, and estimated spending by agency/category for FY 2022 please refer to the FY 2023 Proposed Operating Budget Book pages 716-719.*
- ***Coronavirus Aid, Relief and Economic Securities Act (CARES)***- The County was awarded \$158.7 million of grant funding through Title V of the CARES Act. The funding was established to provide direct assistance to States, units of local government, the District of Columbia, U.S. Territories, and Tribal Governments during the COVID-19 pandemic. The County received funding beginning in FY 2019 through FY 2022. The County spent approximately \$20.9 million in FY 2020, \$130.5 million in FY 2021, and is estimated to spent \$7.4 million in FY 2022. *To see details of actual and estimated spending by agency/category for FY 2020-2022 please refer to the FY 2023 Proposed Operating Budget Book pages 721-724.*

- ***Maryland Recovery Now-Nonprofit Relief Fund-*** The County was awarded approximately \$3 million of grant funding from the Maryland Department of Housing and Community Development (DHCD). DHCD allocated \$20 million in grant funding to be distributed to local governments throughout the State to provide grants to nonprofits that can demonstrate need, with priority given to organizations that have not received assistance through the Neighborhood Revitalization Program. DHCD distributed the funds based on the population of the counties and funding was awarded to the county economic development offices or other county agency as identified by the local jurisdiction. Each awardee must utilize its own local grant program to distribute funds and shall prioritize awards to nonprofits that have not already received relief funds from DHCD's Nonprofit Recovery Initiative (NORI)