

Discussion

MEMORANDUM

July 8, 2008

TO: Planning, Housing, and Economic Development Committee
FROM: Justina J. Ferber, Legislative Analyst
SUBJECT: Conference Center – Community Accessibility Issues

Those expected for this discussion:

Pradeep Ganguly, Director, DED
Tina Benjamin, Chief of Staff, DED
Peter Bang, Chief, Finance, Administration and Special Projects Division, DED
Corinne Rothblum, Business Development Specialist,

The Committee requested information regarding the issues surrounding community access to the Conference Center. The Department of Economic Development has been asked to address the issue of community access and to provide information on the operations of and funding for the Center. The briefing will also include background on the Conference Center Management Committee and its deliberations related to community access issues.

Background

Committee members were previously advised that the Conference Center was never intended to serve as a subsidized community center; rather, it was constructed as a profit-making enterprise that would contribute revenues to the County General Fund. This is spelled out in the Construction, Operation and Contribution Agreement between the County and the Maryland Stadium Authority. Demand is the primary driver in pricing decisions at the Center. Certain days of the week are in greater demand than others, and this is reflected in pricing decisions. For example, Wednesdays are more expensive and harder to schedule than Mondays. Some groups are inflexible regarding scheduling and therefore pay prime rates for prime time.

Attached are materials that the Department of Economic Development provided after the PHED Committee's budget session on the Conference Center. The first is a memo from DED Director on County Event days at the Conference Center; the second is a *draft* of Frequently Asked Questions about the Montgomery County Conference Center; and the third is a memorandum to Councilmember

George Leventhal from CAO Timothy Firestine about the Conference Center -- use, financing, objectives, County days, etc.

As part of the County's Management Agreement with Marriott, the County is entitled to use Conference Center meeting space for six 'County Event Days' each year without incurring meeting facility rental fees. For County Event Days, the County must be the primary event sponsor and is responsible for all other costs, including food and beverage expenses, audio-visual equipment rental, parking, room set-up/break-down and service charges. The Conference Center Management Committee (the executive committee for the facility, chaired by Finance Director Jennifer Barrett) selects the six County Days each fall.

DED Packet Information

Materials on this issue from the Department of Economic Development will be distributed as an addendum to this packet.

Attachments: April 16, 2008, Memo from the DED Director on **County Event days** ©1
Draft of **Frequently Asked Questions** about the Conference Center ©4
January 4, 2008, **Memorandum from CAO to Councilmember Leventhal** ©7
Conference Center Management Committee Roster ©15
Conference Center Budget Information ©16

f:\ferber\09 budget\09 operating budget\ded\conference center\conf center-phed-7-10-08.doc

MEMORANDUM

April 16, 2008

TO: Mike Knapp, President, County Council
FROM: Pradeep Ganguly
SUBJECT: County Event Days 2008

As per your request at this morning's PHED committee meeting, the purpose of this memo is to provide additional information about 'County Event Days' at the Conference Center.

As part of the County's Management Agreement with Marriott, the County is entitled to use Conference Center meeting space for six 'County Event Days' each year without incurring meeting facility rental fees. The County and/or other sponsoring entities are responsible for all other costs, including food and beverage expenses, audio-visual equipment rental, parking, room set-up/break-down and service charges. The Conference Center Management Committee (the executive committee for the facility, chaired by Finance Director Jennifer Barrett) selects the six County Days each fall. The selection criteria are:

- The County is the primary event sponsor/organizer;
- The event has community-wide impact and outreach;
- The event is so large that no alternate venue can accommodate it;
- The event helps meet different County objectives/needs:
 - Community events
 - Economic development events
 - County administrative events

For 2008, the Conference Center Management Committee designated the following events as County Event Days:

1. Martin Luther King Celebration of Service
2. Business Appreciation Day
3. Embassy Day
4. Economic and Workforce Development Awards
5. Arts and Humanities Ball
6. December Quarterly Leadership Forum

A brief description of each event is attached. If I can provide any additional information or answer any questions, please let me know.

Cc: County Council

2008 County Days

Business Appreciation Day

At the request of the County Executive's office, the Department of Economic Development (DED) is planning to re-establish Business Appreciation Week in 2008 as an annual event. This initiative previously included a week-long series of high profile business visits by County department heads, Council members, and staff from the Office of the County Executive in cooperation with local business partners, such as chambers of commerce, the Technology Council of Maryland and the MD Department of Business and Economic Development. The visits culminated in an event (presided over by the County Executive) for approximately 500 business and County attendees at which the County demonstrated its appreciation for the businesses' presence in Montgomery County and their contributions to the community.

The 2008 Business Appreciation Week committee is co-chaired by CE advisor Larry Rosenblum and Sol Graham, CEO of Quality Biologicals, Inc. The concluding event, which DED nominates as one of the six County Days at the Conference Center, will be hailed as a major press event by DED. Targeted invitees will include local small businesses, Asian, Hispanic, women-owned and African-American businesses. DED is excited about the administration's focus on small business and see Business Appreciation Week and the high-profile celebration event at the Conference Center as the beginning of a new era for recognizing small businesses in Montgomery County.

Embassy Day

Embassy Day is the premier gathering of diplomats and company executives outside of New York and Washington, D.C. DED attracted this event, which is organized by the World Trade Center Institute in Baltimore (where it had been held for the previous 16 years) to Montgomery County in 2005, recognizing the opportunity it presented to bring embassy officials together with County businesses. The event attracts high-profile speakers and participants: County Executive Leggett used Embassy Day to announce his international strategy, and the Governor, Lieutenant Governor, Secretary of Transportation, Deputy Secretary of DBED and many other VIPs have also attended. This year, DED involved local chambers of commerce in order to link local ethnic business organizations to the diplomatic representations. Several County companies, including Hughes Network Systems, have been sponsors of Embassy Day, which allows them to network with 50 embassies in one day.

Since Embassy Day moved from Baltimore to the Conference Center, its size and profile have been enhanced: the October 2007 event attracted over 600 attendants, including 150 diplomats (10 ambassadors) and almost 500 local business people. This large event uses the entire Conference Center ballroom and several break-out rooms for one-on-one business meetings and networking. The program includes a morning VIP breakfast, a trade exhibit of embassies and companies, a break-out session on international legal issues, a luncheon for over six hundred attendees, and a dessert/wine reception. There is no other venue in the County that can accommodate this event. It has been selected as a County Day for the past three years.

Workforce and Economic Development Awards Breakfast

Montgomery County's Workforce Investment Board and the Department of Economic Development sponsor this premier business and community event that recognizes Montgomery County's innovation, achievement and leadership in workforce and economic development, and the achievement and success of Montgomery County's workers and businesses. For the past 10 years, this ceremony has brought together the workforce, economic development and employer community to honor individuals who have overcome significant barriers to achieve success in the workplace, and has recognized employers who have contributed so much to our community. Attendance (over 400 in 2007) has been exceptional, with representation from non-profit and faith-based organizations, public schools, higher education, local and state government, and of course, the local business community.

Martin Luther King (MLK) Day of Service

As part of the County's annual MLK celebrations, the Montgomery County Volunteer Center organizes a day-long volunteer event that draws 700-800 people to assemble food, clothing and medical packages for local non-profits that work with homeless and low-income communities. The event has been selected as a County Day for the past three years, and uses half of the Conference Center ballroom.

Montgomery County Arts and Humanities Council Executive Ball

This event is a major fund-raiser for the Arts and Humanities Council, and uses the entire Conference Center ballroom. It has been selected as a County Day for the past three years.

December Quarterly Leadership Forum

The Quarterly Leadership Forum (QLF) is an important feature of the Management Leadership Service. The forums provide for direct discussion among the County Executive, Chief Administrative Officer and County managers. All Executive Branch managers who have been selected for the Management Leadership Service participate in the QLF. Managers in the Department of Police, the Fire and Rescue Services and the Department of Correction and Rehabilitation, as well as members of an Executive Branch department's senior management team, while not part of the Management Leadership Service, are an important component of the County's leadership, and participate as well. Participation in these forums is vital to developing cohesiveness among the managers in County government and to strengthening coordination and cooperation in the implementation of Countywide priorities. The December QLF, which usually includes a holiday luncheon, has been selected as a County Day for the past three years, and draws about 200 attendees.

Frequently Asked Questions about the Montgomery County Conference Center

1. *Why was the Montgomery County Conference Center built?*

The Montgomery County Conference Center (also known as the Bethesda North Marriott Conference Center) was built to address several unmet public meeting needs, and to make a positive economic contribution to Montgomery County. The Conference Center feasibility study identified three key objectives for the facility:

- To attract large, non-local group meetings to Montgomery County that can have a positive economic impact at the County and State level through spending on lodging, food, shopping, meeting expenses, etc.
- To provide a high-quality, state of the art meeting facility in the County for local businesses.
- To provide a venue that can accommodate large public assembly meetings that could otherwise not meet in the County.

The Conference Center was not built as a community center. It was constructed as a profit-making enterprise that would contribute revenues to the County General Fund to support County programs and services.

2. *How was it paid for?*

The Conference Center was jointly financed by the State of Maryland - through tax-exempt bonds issued by the Maryland Stadium Authority (MSA), and the County - through taxable bonds issued by the Montgomery County Revenue Authority (MCRA). The total project cost was approximately \$40 million.

The MSA bonds are being retired through tax revenues generated by the Conference Center. MSA conducts an annual audit to ensure that the Conference Center is generating sufficient taxes to pay off its bonds. The 2007 MSA report can be found at XXX.

The MCRA bonds are being paid off through net operating revenues from the Conference Center, as well as Montgomery County's hotel/motel occupancy tax, which was increased from five to seven percent to help finance the Conference Center.

3. *Who owns the Conference Center?*

The Conference Center is jointly owned by the County (through MCRA) and the State (through MSA). When the MSA bonds are paid off in full, the County will assume 100 percent ownership of the facility.

Frequently Asked Questions about the Montgomery County Conference Center

4. Who Runs the Conference Center?

Marriott Host Services, Inc. manages the Conference Center and the attached Bethesda North Marriott Hotel under two separate agreements with the County and The JBG Companies, which owns the Hotel. These agreements recognize that Marriott is charged with managing the Hotel and Conference Center as a combined marketing tool and destination, and that Marriott must make management and pricing decisions in the overall best interests of the two facilities as a combined unit.

5. Does the County get to use the Conference Center for free?

As part of the County's management agreement with Marriott, the County is entitled to use meeting space at the Conference Center for six 'County Day' events per calendar year without incurring any room rental fees. No discounts are provided on other costs associated with the selected events, including food and beverage, audio-visual, parking, and service charges. The Conference Center Management Committee (the executive committee for the facility) selects the six County Days each fall. Key selection criteria include:

- The County is the primary event sponsor/organizer;
- The event has community-wide impact and outreach;
- The event is so large that no alternate venue can accommodate it;
- The event helps meet different County objectives/needs:
 - Community events
 - Economic development events
 - County administrative events

If you would like to propose an event for consideration as a County Day, please send a brief description and justification to Corinne Rothblum in the Department of Economic Development: corinne.rothblum@montgomerycountymd.gov; 240-777-2011.

County agencies can also use the Cabin John Board Room, which can accommodate up to 20 people, free of charge. All other costs (audio-visual, catering, parking costs and service charges) must be paid directly by the host agency. To check availability of the Cabin John Board Room and for instructions on how to reserve it, please contact Corinne Rothblum.

All other County meetings and events held at the Conference Center should be booked directly through Marriott's sales and catering manager, Patrick Hardy: phardy@marriott.com; 301-822-9291.

6. Who sets prices at the Conference Center?

Under the terms of the management agreement between Marriott and the County, Marriott establishes prices at the Conference Center. Marriott management reviews pricing structures on

Frequently Asked Questions about the Montgomery County Conference Center

a regular basis to ensure it is competitively priced with meeting facilities of comparable quality, service levels and location in the D.C. metropolitan area.

7. *How are the profits from the Conference Center distributed?*

The County-Marriott management agreement spells out the terms of the distribution of net profits from the facility. The basic terms are as follows:

- Marriott distributes net operating income (net profits) from the Conference Center to the County at the end of each 28-day accounting period.
- A percentage of gross profits are escrowed at the end of each accounting period to cover replacement costs for furniture, fixtures and equipment. For 2008, four percent of gross revenues are being escrowed; starting in 2009 this will increase to – and remain at - five percent.
- Marriott receives a base management fee of three percent on gross revenues.
- After net operating income to the County reaches \$500,000 each Marriott fiscal year, Marriott receives an incentive management fee of 25 percent on additional net operating income.
- Twenty percent of the County's net operating income is escrowed in a reserve account at the end of each reporting period to fund operational enhancements intended to maximize the County's return on investment in the facility. This escrow account has been suspended for the latter half of FY08 in response to the weak hospitality market and declining Conference Center revenues.

The County and the JBG Companies also have a cost and revenue sharing agreement, which splits shared Hotel and Conference Center costs and revenues based on agreed-upon percentage allocations.

8. *Does Marriott have any special rates for community groups and non-profits?*

Marriott is contracted to manage the Conference Center and Hotel as a single, for-profit enterprise. The construction and contribution agreement between the County, the Maryland Stadium Authority (MSA) and the Montgomery County Revenue Authority (MCRA) states that the County shall ... *'use its best efforts to operate, or cause the Facility to be operated, in a manner that maximizes its economic return to the community and as a generator of sales, hotel and other taxes for the County and the State.'*

Within these parameters, the facility's general manager and sales and marketing team strive to accommodate the budget constraints and other requirements of local non-profits and community organizations that want to hold events at the Conference Center. Marriott is currently working with the Conference Center Management Committee to identify some additional mechanisms to make the Conference Center more accessible to groups with very limited resources.

MEMORANDUM

January 4, 2008

TO: George Leventhal, Member
Montgomery County Council

FROM: Timothy L. Firestine, Chief Administrative Officer

SUBJECT: Montgomery County Conference Center

To provide context for the answers to your questions about the Conference Center, I thought it would be helpful for you to have some background information on the project.

Conference Center Ownership and Financing:

The Conference Center (CC) was jointly financed by the State of Maryland (through tax-exempt bonds issued by the Maryland Stadium Authority) and the County (through taxable bonds issued by the Montgomery County Revenue Authority). The total project cost was approximately \$40 million, and is jointly owned by the County and the State.

The MSA bonds are being retired through tax revenues generated by the CC; when the MSA bonds are paid off in full, the County will assume 100 percent ownership of the facility. MSA conducts an annual audit to ensure that the CC is generating sufficient tax revenues to pay off its bonds.

The MCRA bonds are being paid off with net operating revenues from the facility, as well as the County's hotel/motel occupancy tax, which was increased from five to seven percent to help finance the CC.

Conference Center Objectives:

The CC was conceived to address several unmet needs and to make a positive economic contribution to Montgomery County. The three primary objectives of the facility were identified in the projects needs analysis as:

- To attract large, non-local group meetings to Montgomery County that would have a positive economic impact at the County and State level through spending on lodging, food, shopping, meeting expenses, etc.
- To provide a high-quality, state of the art meeting facility in the County for local businesses.
- To provide a venue that could accommodate large public assembly meetings that could otherwise not meet in the County.

The CC was never intended to serve as a subsidized community center; rather, it was constructed as a profit-making enterprise that would contribute revenues to the County General Fund. This is spelled out in the Construction, Operation and Contribution Agreement between the County, MCRA and MSA. Article VII – Operation of the Facility – Section 7.2.(a) (page 29) states that the County shall... *‘use its best efforts to operate, or cause the Facility to be operated, in a manner that maximizes its economic return to the community and as a generator of sales, hotel and other taxes for the County and the State.’* I have highlighted this clause in the attached copy of the agreement.

Management of the Conference Center:

Marriott Host Services, Inc. manages the CC and the attached Bethesda North Marriott Hotel under two separate, cross-defaulting management agreements with the County and The JBG Companies, which owns the Hotel. These agreements recognize that Marriott is charged with managing the Hotel and CC as a combined marketing tool and destination, and that it must make pricing and allocation decisions in the overall best interests of the CC and Hotel as a combined unit. This is spelled out in Section 1.02.E. of the County-Marriott Management Agreement (page 5 – text has been highlighted in the attached copy).

With this background in mind, please note the following response to the issues raised in your email.

I continue to be very concerned at reports of price gouging at the North Bethesda Marriott & Conference Center.

Pricing at the Bethesda North Conference Center is considered competitive with other meeting venues in Montgomery County that offer comparable quality and service levels. At the Department of Economic Development’s request, the Montgomery County Conference and Visitors Bureau (CVB) is preparing some illustrative price comparisons, which we will provide to you when they are complete.

I corresponded with you earlier regarding the substantial increase in price imposed upon the Montgomery County Democratic Party for its 2008 Spring Ball. Although the Party was able to work out an arrangement with Marriott whereby the annual Spring Ball can still be held in the county, it is at the expense of substantial increases in parking and food costs in addition to the necessity of moving this event - which for many years was held on the first Saturday in May - to Sunday night because of a prohibitively expensive guarantee requirement for Saturdays, which had not been imposed in the past. I cannot identify a satisfactory explanation for why these costs and minimum guarantee requirements should have increased so significantly from 2006 to 2007.

Demand is the primary driver in pricing decisions at the CC. Certain days of the week are in greater demand than others, and this is reflected in pricing decisions. For example, Wednesdays are more expensive and harder to get than Mondays. Marriott needs to ensure that the business it books is profitable and not at the expense of either owner. Its sales team must be very strategic about protecting the more profitable time frames, which it does in part through minimal catering guarantees.

Marriott structures the sale of meeting space to maximize total potential revenues, and bases it on what they have contracted and expect to contract. To illustrate, the \$45,000 guarantee for the Democratic Party was to protect ballroom revenues on a high-demand Saturday night. When the Democratic Party opted to hold its event on another day of the week, another group booked the ballroom that Saturday and generated over \$85,000 in catering revenues.

Now it has been brought to my attention that the Montgomery County Chamber of Commerce is evaluating whether it can afford to hold the annual Public Safety Luncheon in the county in 2008. Reportedly, this event in prior years was one of five "designated" events whereby the Conference Center offered county-sponsored events a special rate, but this year; this designation was not available to the Public Safety Luncheon.

When Gigi Godwin first raised this concern several months ago, the County Executive made it clear that he fully intended to work with the Chamber to ensure that the Public Safety Awards Luncheon would proceed successfully, and that it would not pose any more of a financial burden to the Chamber than in previous years. Members of the Executive's staff have spent hours working with Chamber officers to try and craft a solution. As of late December, the County Executive's office understood that the Chamber's concerns about the 2008 event had been resolved to its satisfaction. We have scheduled a meeting for late January to discuss more permanent strategies that would meet the needs of the Chamber and this important event, while still maintaining the integrity of the CC's operations.

Please note that the Public Safety Awards Luncheon has never been a designated County Event Day. I believe there is some misunderstanding as to what exactly these are. Under the terms of Marriott's Management Agreement with the County (Exhibit D - County Event Days), the County is entitled to use meeting space at the Conference Center for six events per calendar year without incurring standard meeting room rental fees. No

discounts are provided on other costs associated with the selected events, including food and beverage, audio-visual, parking, and service charges.

The Conference Center Management Committee (the executive committee for the facility) is tasked with naming the six County Event Days. Key selection criteria include:

- The County is the primary event sponsor/organizer;
- The event has community-wide impact and outreach;
- The event is so large that no alternate venue can accommodate it;

- Allocating days to meet different County objectives/needs:
 - Community events
 - Economic development events
 - County administrative events

A list of the designated County Days for 2005, 2006 and 2007 is attached for your information.

As you know, the Public Safety Luncheon has been organized for many years - at the County's request - by the Chamber of Commerce. If my information is accurate, it seems unreasonable to me that this event, the purpose of which is to honor employees of our Police, Fire & Rescue, Sheriff's, Corrections and Park & Planning Police Departments, should be treated differently than in prior years. All the proceeds of this event in excess of expenses go to construction of the county's Public Safety Memorial. What is the reason for the change in policy? Is it possible to restore this event as a designated event for 2008?

As explained above, there has not been a change in policy. The Public Safety Awards Luncheon has never been designated as one of the six annual County Event Days at the Conference Center. However, in recognition of the importance to the County and the community of this event, Marriott has waived the meeting room charges each year; the Chamber thus benefits from the exact same cost savings as selected County Event Days.

At my request, Marriott has provided the following information (in bold) concerning the 2007 and 2008 contracts with the Chamber for the Public Safety Awards Luncheon:

2007

Lunch for 1,055	\$41.00 PP	\$43,255.00 (includes service charge & sales tax)
Audio Visual		\$ 3,551.40
Kids Meals		\$ 125.00
Parking		\$ 968.00
Total		\$47,899.40

2008 contract:

Lunch for 1000	\$35.84 PP	\$35,840.00 (includes service charge & sales tax)
Audio Visual TBD		\$ 3,500.00 (estimate)
Kids Meals TBD		\$ 125.00 (estimate)
Parking		\$ 2,400.00
Total		\$41,865.00

Please note: The 2008 contract shows a minimum lunch price of \$28.00, plus service charge and sales tax. The figures above are inclusive of service charge and sales tax, so we are comparing apples to apples. Last year the Chamber chose a NY steak for their lunch entrée. If they choose that again, then the price per person would again be \$41.00 PP, inclusive of service charge and sales tax. The only quantifiable difference in price would be parking, where they would be paying an additional

\$1400. If they choose a lesser priced lunch entrée, then they will be paying less to hold the event this year than they did in 2007.

In addition, for the 2008 event, the Office of the County Executive and the JBG Companies (which owns the attached Marriott Hotel and shares the revenues from the parking lot), have also agreed to make contributions of \$3,000 each to the event so that the Chamber can cover parking costs for attendees, thus saving the Chamber an additional \$6,000.

For the record, the Department of Economic Development has already made a \$15,000 contribution in FY08 to the Chamber to help sponsor its events. It is also important to be aware that under the terms of the traffic mitigation agreement the County signed as part of the site plan approval for the CC, the facility operator is required to charge market rates for parking. Parking rates are adjusted annually to reflect local market conditions. Groups (including County groups) frequently ask Marriott to waive the parking fees, but they are legally obligated to include this in their pricing packages.

I am very concerned about the public relations consequences for the County Executive and County Council if this luxurious facility, built at taxpayer expense, continues to be priced beyond the reach of community groups. Especially now that Indian Spring Country Club has closed, the Conference Center is the only game in town for large events. Regardless of who is making and who is benefiting from the pricing decisions, the facility is publicly perceived as a unit of county government. It is not sufficient to hold out the possibility of a new facility for community use (the Fillmore) that may open someday in Silver Spring. The county's Conference Center must remain accessible to community groups - otherwise, why did we build it?

As explained above, the CC was not funded by Montgomery County taxpayers, and was not built to serve as a meeting facility for community groups. There is a clear need to clarify the public perception about the CC's purpose, financing, and operations.

I hereby request a copy of all agreements between county government and Marriott, the Revenue Authority and the Convention and Visitor's Bureau for the management of the Conference Center.

As requested, copies of the key Conference Center agreements are attached for your information and review:

1. Master Lease Agreement By and Between Montgomery County Revenue Authority (as 'Lessor') and Montgomery County, Maryland (as 'Lessee')
2. Construction, Operation and Contribution Agreement and Lease By and Between Montgomery County, Maryland, the Montgomery County Revenue Authority and the Maryland Stadium Authority
3. Management Agreement between Marriott Hotel Services, Inc. (as 'Manager') and Montgomery County, Maryland (as 'Owner')

The CVB does not have a contractual role in the management of the Conference Center. However, it is currently implementing a two-year pilot marketing initiative intended to

attract more non-local groups and association business to the facility. Funding for this initiative comes from the CVB budget and a Conference Center reserve account for operational enhancements.

I would like to understand exactly who is responsible for making which decisions governing the scheduling and pricing of events at the Conference Center, as well as how the profits from the facility are distributed.

Under the terms of the Management Agreement between Marriott and the County, Marriott establishes pricing and scheduling. I have highlighted the clauses of the Management Agreement that address this issue. They are:

Article I – Appointment of Manager – Section 1.02.A.2 (page 3)

Article I – Appointment of Manager – Section 1.02.B (page 3)

Exhibit C – Booking Policy

As previously noted, the Construction, Operation and Contribution Agreement between the County, MCRA and MSA charges the County to... 'use its best efforts to operate, or cause the Facility to be operated, in a manner that maximizes its economic return to the community and as a generator of sales, hotel and other taxes for the County and the State.' I have highlighted this clause in the attached copy of the agreement.

The County-Marriott Management Agreement also spells out the terms of the distribution of net profits from the facility. The basic terms are as follows:

- Marriott distributes net operating income (net profits) from the Conference Center to the County at the end of each 28-day accounting period.
- A percentage of gross profits (currently three percent; it will increase to four percent in 2008 and cap at five percent starting in 2009) is escrowed in an FF&E account at the end of each accounting period to cover replacement costs for furniture, fixtures and equipment.
- Marriott receives a base management fee of 3 percent on gross revenues.
- After net operating income to the County reaches \$500,000 each Marriott fiscal year, Marriott receives an incentive management fee of 25 percent on additional net operating income.
- Twenty percent of the County's net operating income is escrowed in a reserve account at the end of each reporting period to fund operational enhancements intended to maximize the County's return on investment in the facility.

The relevant sections are highlighted in the attached copy of the County-Marriott Management Agreement.

I would also like to know under what terms county events are "designated" for discounted rates, and which events have been so designated for each year that the Conference Center has been open.

County events held at the Conference Center – including the six annual designated County Event Days – are not entitled to any discounted rates at the Conference Center. As noted, Marriott is contracted to manage the Conference Center and Hotel as a single, for-profit enterprise. The facility's general manager and sales and marketing team strive to accommodate the budget constraints and other requirements of County agencies, local non-profit groups and business organizations that want to hold events at the Conference Center within the parameters of its agreements with the County and JBG.

Please let me know if you have any addition questions regarding the conference center or the issues raised in your email.

cc: Pradeep Ganguly
Jennifer Barrett
Tina Benjamin
Corinne Rothblum

BETHESDA NORTH CONFERENCE CENTER MANAGEMENT COMMITTEE

Jennifer Barrett (*Chair*)
Director
Montgomery County Dept. of Finance
101 Monroe Street, Suite 1500
Rockville, MD 20850
240-777-8870
jennifer.barrett@montgomerycountymd.gov

Justina Ferber
Legislative Analyst
Montgomery County Council
100 Maryland Avenue, 5th Floor
Rockville, MD 20850
240-777-7938
justina.ferber@montgomerycountymd.gov

Ken Finkelstein
Managing Partner
The JBG Companies
4445 Willard Avenue
Chevy Chase, MD 20815-3690
240-333-3643
kfinkelstein@jbg.com

Pradeep Ganguly
Director
Montgomery County
Dept. of Economic Development
101 Monroe Street, 15th Floor
Rockville, Maryland 20850
240-777-2005
pradeep.ganguly@montgomerycountymd.gov

Karen Hawkins
Controller
Montgomery County Dept. of Finance
101 Monroe Street, Suite 1500
Rockville, MD 20850
240-777-8802
karen.hawkins@montgomerycountymd.gov

Mark Jennings
President, Conference & Visitors Bureau
General Manager, Hyatt Regency Bethesda
7400 Wisconsin Avenue
Bethesda, MD 20814
301-657-1234
mjennings@hyatt.com

Edward J. Kopp
Senior Vice President of Asset Management
The JBG Companies
4445 Willard Avenue
Chevy Chase, MD 20815-3690
240-333-3757
ekopp@jbg.com

Gary McGuigan
Project Executive
Maryland Stadium Authority
The Warehouse at Camden Yards
333 West Camden Street, Suite 500
Baltimore, MD 21201-2345
410-333-1560
gam@mdstad.com

Ex-Officio Members:

Bob Daley
General Manager
Bethesda North Marriott Hotel/Conference
5701 Marinelli Road
North Bethesda, MD 20852
301-822-9200
bob.daley.marriott.com

Kelly Groff
Executive Director
Conference and Visitors Bureau of
Montgomery County
111 Rockville Pike, Suite 800
Rockville, MD 20850
240-777-2062
kgroff@visitmontgomery.com

Staff:

Corinne Rothblum
Business Development Specialist
Montgomery County Department of
Economic Development
111 Rockville Pike, Suite 800
Rockville, MD 20850
240-777-2011
corinne.rothblum@montgomerycountymd.gov

Conference Center Budget
Expenditures and Revenues for FY07, FY08 and FY09.

	FY07 BUDGET	FY07 ACTUAL	FY08 BUDGET	FY08 EXPENSES	FY09 BUDGET
Operating Expenses					
Accounting/Audit Services	50,000	12,600	50,000	18,900	-
Building Maintenance/Improvements	100,000		100,000	-	100,000
Operating Losses/Other Misc. Exp.	350,000	45,060	350,000	346,663	354,300
Total Operating	500,000	57,660	500,000	365,563	454,300
Personnel Expenses					
Salaries and Benefits	94,850	84,013	105,090	100,600	112,790
Total	594,850	141,673	605,090	466,163	567,090
	FY07 BUDGET	FY07 ACTUAL	FY08 BUDGET	FY08 PROJECTED	FY09 BUDGET
Revenue					
Land Rent	125,000	125,000	205,900	205,900	319,100
Net Operating Income*	1,764,000	1,710,943	1,913,400	851,000	1,405,000
Total	1,889,000	1,835,943	2,119,300	1,056,900	1,724,100
Revenue vs. Expenses	1,294,150	1,694,270	1,514,210	590,737	1,157,010

* This amount represents the funds that will be distributed by Marriott to the County after the incentive Fee and 20% set aside.

Rent is included at the rate of \$26,591.67 per month for all 12 months.

FY08 expenses include some expenses charged against prior year encumbrances for the management audit and the new digital signage display unit at the Conference Center.

The Conference Center NDA includes funds for 1) a full-time position to manage the operational and fiscal oversight of the conference center complex on behalf of the County; 2) non-routine or major repairs, alterations, improvements, renewals and replacements; and 3) reserve funds required by the management agreement. Net operating income is down in FY08 due to the construction of the new hotel tower and the slow economy.

Revenues consisting of net operating income from the Conference Center and land rent from the hotel are also in the NDA. Twenty-percent of the County's net proceeds from the Conference Center operations will be retained for investment in marketing and facility improvements which will encourage Conference Center usage. All proposed investment expenditures will be reviewed and approved by the Conference Center Management Committee.