

MEMORANDUM

January 19, 2012

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst *JS*
Justina Ferber, Legislative Analyst *JF*

SUBJECT: Supplemental Appropriation #12-329
Amendment to the FY12 Operating Budget
Montgomery County Government Department of Economic Development
BioHealth Innovation Inc.--\$250,000

Background

The Executive submitted a supplemental appropriation request for the FY12 Operating Budget in the amount of \$250,000 for the Department of Economic Development. The purpose of that supplemental appropriation request is to provide seed funding for the creation of BioHealth Innovation Inc. (BHI), a new 501(c)(3) public-private partnership.

The supplemental appropriation will be used to fund a non-competitive contract with BHI. BHI will be funded both through this contract and through support and capital contributions from key industry stakeholders (see © 2). BHI's three-year operating budget (covering portions of four fiscal years) assumes the following contributions from the County: FY12 \$250,000; FY13 \$500,000; FY14 \$500,000; and FY15 \$250,000.

Public Hearing Testimony

The Council held a public hearing on the proposed resolution, as amended, on January 17, 2012. Steve Silverman, Director of Economic Development, testified in support of the resolution.

Amendments to Resolution

Council staff recommends amending the resolution to include language stating that the CAO has made a determination that the contract with BHI can be awarded without competition. OMB and the CAO have agreed to these amendments. The amendments are included in the underlined text of the attached resolution.

Attachments: ©1 – Revised Draft Resolution
©4 – December 7 Memo from County Executive

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Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #12-329 to the FY12 Operating Budget
Montgomery County Government
BioHealth Innovation Inc., \$250,000

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive, who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. Section 11B-14(a)(4) of the Montgomery County Code states that "a contract may be awarded without competition if the Chief Administrative Officer makes a written determination that the contract award serves a public purpose and a proposed contractor has been identified in a grant or appropriation resolution approved by the Council.
3. The County Executive has requested the following FY12 Operating Budget appropriation increase for the Department of Economic Development:

<u>Personnel</u> <u>Services</u>	<u>Operating</u> <u>Expenses</u>	<u>Capital</u> <u>Outlay</u>	<u>Total</u>	<u>Source</u> <u>of Funds</u>
\$0	\$250,000	\$0	\$250,000	General fund Undesignated Reserve

The increase is needed at this time because BHI, a new 501(c)(3) private-public partnership, is being established with full partnership support and capital contributions from the key industry stakeholders. The formation of BHI is the culmination of the County's and the biotechnology industry's two-year effort to harness the 2009 recommendations of the County's BioTask Force to further the growth of the County's life sciences industry.

The County's initial investment is seed funding that will eventually draw a larger private funding support from the private and academic partners. The operating budget of the BHI has been proposed and agreed to by the founding member organizations at \$1.5 million per year for the next three years. The composition and the amount of contributions from the key partners are as follows:

- Montgomery County: an equivalent of \$500,000 a year for three years, with \$250,000 for FY12, \$500,000 for FY13, \$500,000 for FY14, and \$250,000 for FY15.
- Academic institutions and foundations: \$500,000 a year for three years.
 - University System of Maryland, \$125,000
 - Johns Hopkins University, \$125,000
 - Other plans in place to seek foundation and grant funding by BHI leadership
- Private sector: \$500,000 a year for three years (current commitment is \$525,000).
 - MedImmune, \$250,000
 - Human Genome Sciences, \$125,000
 - Adventist Healthcare, \$125,000
 - Qiagen, \$25,000

The County Executive recommends a supplemental appropriation to the FY12 Operating Budget in the amount of \$250,000 for BioHealth Innovation Inc. and specifies that the source of funds will be General Fund Undesignated Reserves. These supplemental funds will be used to fund a non-competitive contract with BHI.

4. The Chief Administrative Officer has determined that funding a non-competitive contract with this entity serves a public purpose and that such an expense is in the public interest.
5. The Department of Economic Development will develop a new contract with BioHealth Innovation Inc. for provision of services as stated in the amended FY12 Designation of Entities for Non-Competitive Contract Award.
6. Notice of public hearing was given, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY12 Operating Budget of the Department of Economic Development is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$250,000	\$0	\$250,000	General Fund Undesignated Reserve

The Department of Economic Development must administer this appropriation and assure that it is used by BioHealth Innovation Inc. (BHI) to advance the local economy by capitalizing on the region's unmatched research strengths and assist with the growth of the bio-health cluster industry in Montgomery County to its maximum potential.

The Council approves an amendment to Resolution 17-149, Section G, Designation of Entities for Non-Competitive Contract Award. The Chief Administrative Officer has stated that this non-competitive contract serves a public purpose and is in the public interest.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

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ECON DEV



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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

December 7, 2011

TO: Roger Berliner, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Supplemental Appropriation #12-329 to the FY12 Operating Budget
Montgomery County Government Department of Economic Development
BioHealth Innovation Inc., \$250,000

RECEIVED
COUNTY EXECUTIVE
OFFICE
DECEMBER 13 2011

I am recommending a supplemental appropriation to the FY12 Operating Budget for the Department of Economic Development (“DED”) in the amount of \$250,000 to provide the seed funding critical to the creation of BioHealth Innovation Inc. (“BHI”), a regional private-public innovation intermediary that will advance the local economy by capitalizing on the region’s unmatched research strengths, and by assisting with the growth of the bio-health industry cluster in Montgomery County.

The increase to DED’s FY12 operating budget is needed at this time because BHI, a new 501(c)(3) private-public partnership, is being established with full partnership support and capital contributions from key industry stakeholders. The formation of BHI is the culmination of the County’s and the biotechnology industry’s two-year effort to harness the 2009 recommendations of the County’s Biotech Task Force to further the growth of our local life sciences industry. These supplemental funds will be used to amend the non-competitive contract amount for BHI on the FY12 Designation of Entities for Non-Competitive Contract Award for BHI (for a total of \$250,000).

The County’s initial investment will draw larger funding support from BHI’s private and academic partners. The operating budget of the BHI has been proposed and agreed to by the founding member organizations at \$1.5 million a year for the next three years. The composition and amount of contributions from the key partners are as follows:

- Montgomery County: an equivalent of \$500,000 a year for three years with \$250,000 for FY12, \$500,000 for FY13, \$500,000 for FY14, and \$250,000 for FY15.

Roger Berliner
December 7, 2011
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- Academic institutions and foundations: \$500,000 a year for three years.
 - University System of Maryland, \$125,000
 - Johns Hopkins University, \$125,000
 - Other plans in place by BHI to seek foundation and grant funding by BHI leadership, \$250,000
- Private sector: \$500,000 a year for three years (current year commitment is \$535,000).
 - MedImmune, \$250,000
 - Human Genome Sciences, \$125,000
 - Adventist Healthcare, \$125,000
 - Qiagen, \$25,000
 - NEA, \$10,000

I respectfully request that the County Council approve this supplemental appropriation in the amount of \$250,000 and specify the source of funds as General Fund – Undesignated Reserves. This supplemental will reduce County General Government Fund Reserves by \$250,000 and is consistent with the fund balance policy for tax supported reserves.

I appreciate your prompt consideration of this action.

IL/pb/lq

Attachments: Supplemental Appropriation #12-329

cc: Steven A. Silverman, Department of Economic Development
Jennifer A. Hughes, Office of Management and Budget
Thomas Street, Office of the County Executive
Peter Bang, Department of Economic Development
Lily Qi, Office of the County Executive
Alex Espinosa, Office of Management and Budget
Mary Oneda-Brown, Office of Management and Budget