

MEMORANDUM

April 24, 2012

TO: Planning, Housing and Economic Development

FROM: Jacob Sesker, Senior Legislative Analyst

SUBJECT: FY13 Operating Budget: Conference Center NDA *JS*

Those expected to attend this worksession include: Steve Silverman, Director of Economic Development; Tina Benjamin (DED); Adam Damin, Management and Budget Specialist (OMB).

Relevant pages from the FY13 Recommended Operating Budget are attached on © 1-2.

Overview

The County Executive's FY13 request of \$565,040 represents a decrease of \$52,470 relative to the FY12 Approved Budget of \$617,510. The FY13 request includes 1.00 FTE, which represents no change from the FY12 Approved Budget. Almost all of the net reduction is attributable to the elimination of a \$50,000 management audit that had been in the FY12 Approved Budget.

<i>Change</i>	<i>Expenditure</i>	<i>FTEs</i>
FY12 Approved Budget	\$617,510	1.00
Add: Technical Adjustment to Increase the Personnel Costs	\$2,360	0.00
Add: Technical Adjustment to offset Increase in Personnel Costs	(\$2,360)	0.00
Decrease Cost: Group Insurance Adjustment	(\$2,470)	0.00
Eliminate: Reduction of \$50,000 for Management Audit	(\$50,000)	0.00
FY13 Recommended Budget	\$565,040	1.00

Since the Conference Center opened in 2004, this NDA has funded the following: a full-time position to manage the operational and fiscal oversight of the Conference Center complex; non-routine repairs, alterations, improvements, renewals and replacements; and the designated reserve required by the management agreement with Marriott International. Funding is also included to reimburse the contractor for operating losses during any accounting period, to be offset by contractor payments to the County during accounting periods in which there are operating surpluses.

FY13 Expenditure Issues

The management audit recommended for elimination is a biennial audit required by the Conference Center management agreement. That money was approved in FY12, and will undoubtedly be requested again in FY14.

An expensive but necessary repair to the chiller/boiler system is imminent, and will draw down reserves. Changes in federal government policy towards food and beverages at events could reduce revenues in the coming year.

Council Staff Recommendations

Approve the Executive's request of \$565,040 for the Conference Center NDA.

County staff support.

Management Leadership Service Performance-Based Pay Awards: In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments. Performance-Based awards for MLS employees are not funded in FY13.

Unemployment Insurance: The County is self-insured for unemployment claims resulting from separations of service. Unemployment insurance is managed by the Office of Human Resources through a third party administrator who advises the County and monitors claims experience.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	15,679,510	0.60
Increase Cost: Deferred Compensation Management Funding Adjustment	11,230	0.10
Increase Cost: Lump Sum Wage Adjustment	798	0.00
Increase Cost: Retirement Adjustment	600	0.00
Technical Adj: Reconcile Workforce with Hyperion	0	-0.05
Shift: Help Desk - Desk Side Support to the Desktop Computer Modernization NDA	-170	0.00
Decrease Cost: Printing and Mail Adjustment	-270	0.00
Decrease Cost: Group Insurance Adjustment	-2,341,360	0.00
Decrease Cost: Group Insurance Adjustment	-12,629,125	0.00
FY13 CE Recommended	721,213	0.65

Conference and Visitors Bureau

The Conference and Visitors Bureau (CVB) promotes Montgomery County as a tourist destination site to meeting planners, student groups, group tour operators, leisure travelers, sports events/spectators, and travel writers. The CVB develops and distributes publications on points of interest to tourists; and conducts public information campaigns promoting tourism and event facilitation in Montgomery County. The CVB serves as a resource center assisting small and large hospitality businesses considering new product development and/or expansions. The CVB coordinates with the State Department of Tourism, State Film Office, and national and regional events to promote tourism growth, increased visitor spending and visitation in Montgomery County. The CVB manages the tourism marketing grant provided annually by the Maryland Tourism Development Board. The CVB operates on contract with the Department of Economic Development. Funding is based on 3.5 percent of the total hotel/motel tax revenues.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	698,880	0.00
Decrease Cost: Payment to reflect projected FY13 Hotel Motel Tax revenue	-32,074	0.00
FY13 CE Recommended	666,806	0.00

Conference Center

Prior to FY06, the Conference Center NDA primarily provided for pre-opening expenses. Since the Conference Center opened in November 2004, the NDA has expanded its scope to fund:

- a full-time position to manage the operational and fiscal oversight of the Conference Center complex;
- non-routine repairs, alterations, improvements, renewals, and replacements; and
- the designated reserve required by the management agreement with Marriott International, Inc.

Funding is also included to reimburse the contractor for costs not covered by operations during accounting periods when losses occur. These costs will be offset by contractor payments to the County during accounting periods with operating gains. To ensure fiscal and operational accountability, a management audit is conducted every two years and the program budget is increased by \$50,000 during the year such audit is scheduled.

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

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	617,510	1.00
Add: Technical Adjustment to Increase the Personnel Costs	2,360	0.00
Add: Technical Adjustment to offset Increase in Personnel Costs	-2,360	0.00
Decrease Cost: Group Insurance Adjustment	-2,470	0.00
Eliminate: Reduction of \$50,000 for Management Audit	-50,000	0.00
FY13 CE Recommended	565,040	1.00

Consolidated Retiree Health Benefits Trust (MCPS)

This NDA provides consolidated funding for Montgomery County Public Schools' contribution to the Retiree Health Benefits Trust.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	20,000,000	0.00
Increase Cost: Additional OPEB contribution	41,931,000	0.00
FY13 CE Recommended	61,931,000	0.00

Consolidated Retiree Health Benefits Trust (Montgomery College)

This NDA provides consolidated funding for Montgomery College's contribution to the Retiree Health Benefits Trust.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	1,000,000	0.00
Increase Cost: Additional OPEB contribution	873,000	0.00
FY13 CE Recommended	1,873,000	0.00

Council of Governments

The Metropolitan Washington Council of Governments (COG) is a voluntary association of major local governments in the Washington Metropolitan Area. COG seeks to provide regional answers to, and coordination of, area-wide issues such as air and water pollution, day care, housing, crime, water supply, land use, and transportation.

This NDA reflects Montgomery County's share of the organization's operation plus special COG initiatives. Additionally, the contribution supports the Cooperative Purchasing Program; the Anacostia Restoration Fund; the Regional Environmental Fund; the Airport Noise Abatement Program; and a membership fee for participation on a regional housing committee.

As in previous years, the Washington Suburban Sanitary Commission will provide Montgomery County's contribution to support the Water Resources Management Planning Program and the Blue Plains Users Program.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	742,940	0.00
Increase Cost: Membership dues assessment	27,560	0.00
FY13 CE Recommended	770,500	0.00

County Associations

This NDA funds Montgomery County membership dues to the National Association of Counties (NACo) and the Maryland Association of Counties (MACo).

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	72,710	0.00
FY13 CE Recommended	72,710	0.00

Desktop Computer Modernization

The Desktop Computer Modernization (DCM) program is based on a best practices approach to maintaining a modern and cost effective computing environment in the County. The program reduces the Total Cost of Ownership (TCO) of personal computers (PCs) and laptops through standardization, asset management, and maintenance services. DCM includes the centralized management, support, and maintenance of PCs and targets the annual replacement of approximately one-fourth of managed PCs. The program also includes PC-related training and software. This NDA includes funding for Help Desk support, management,