

MEMORANDUM

April 24, 2012

TO: Planning, Housing and Economic Development

FROM: Jacob Sesker, Senior Legislative Analyst

SUBJECT: FY13 Operating Budget: Department of Economic Development *JS*

Those expected to attend this worksession include: Steve Silverman, Director of Economic Development; Peter Bang, Chief Operating Officer DED; Adam Damin, Management and Budget Specialist (OMB).

Relevant pages from the FY13 Recommended Operating Budget are attached on © 1-8.

Overview

The County Executive's FY13 request of \$11,277,999 represents an increase of \$2,933,669 (35.3%) above the FY12 Approved Budget of \$8,344,330. The FY13 request includes a total of 33.50 FTEs (27.30 FTEs in DED's operating budget, and 4.20 FTEs charged to the 6-year CIP, and 2.00 FTEs charged to the operating budgets of other departments). The 27.30 FTEs in DED's operating budget represent an increase of 0.80 FTEs from the FY12 Approved Budget.

There were several changes from FY12 to FY13. Some of those changes were designated as changes involving service impacts, and other changes were designated as changes not involving service impacts.

<i>Changes with service impacts</i>	<i>Expenditures</i>	<i>FTEs</i>
FY12 Original Appropriation	\$5,990,310	26.50
Add: Bethesda Cultural Alliance for Reimbursement of Legally Required State Contribution	\$750,000	0.00
Enhance: Marketing Initiatives	\$250,000	0.00

Add: Marketing Manager Position Appointed by Council	\$188,288	1.00
Enhance: Special Projects Manager Position to Support Biotechnology Industry	\$174,660	1.00
Enhance: Professional services contracts to support business development activities	\$100,000	0.00
Enhance: Support to MBDC	\$100,000	0.00
Add: Technical Adjustment for Increase in Personnel Costs	\$60,645	0.00
Reduce: Marketing Budget	(\$21,363)	0.00
Reduce: Eliminate Business Development Specialist Position (Special Projects Division)	(\$113,200)	(1.00)
Reduce: Eliminate Business Development Specialist Position (Marketing and Business Development Division)	(\$113,979)	(1.00)

Enhancing marketing initiatives with an additional \$250,000 is unlikely to have a positive service impact, given that the funding is largely intended to offset the \$350,000 in one-time items approved by the Council in FY12. Furthermore, the enhancement to marketing initiatives is, in essence, made possible by shifting \$342,000 from the Economic Development Fund.

Of the changes with service impacts, the budget includes two additional high-level positions (one of which is actually in the County Executive's office but charged to DED) and the elimination of two mid-level positions.

<i>Changes with no service impacts</i>	<i>Expenditures</i>	<i>FTEs</i>
Shift: AFI from Arts and Humanities NDA	\$500,190	0.00
Increase Cost: 2 nd Year of 3-year funding to support BHI	\$500,000	0.00
Increase Cost: Restore Incubator Network Funding	\$239,665	0.00
Increase Cost: 1 st of 10 annual payments to TEDCO for repayment of \$2.6 million grant to County incubator network	\$80,000	0.00
Increase Cost: Retirement adjustment	\$73,373	0.00
Increase Cost: Lump sum wage adjustment	\$60,550	0.00
Increase Cost: Group insurance adjustment	\$53,841	0.00
Increase Cost: Wheaton Business Incubator CAM Charge	\$23,000	0.00
Increase Cost: Motor pool rate adjustment	\$2,090	0.00
Technical Adj.: Conversion of WYs to FTEs	\$0	0.50
Technical Adj.: Adjustment for workforce	\$0	0.30
Shift: Help desk/deskside support	(\$1,080)	0.00
Decrease Cost: Printing and mail adjustment	(\$1,200)	0.00
Shift: Operating costs to personnel costs	(\$60,645)	0.00
Decrease Cost: Elimination of one-time items approved in FY12	(\$350,000)	0.00
FY13 Recommended	\$8,535,145	27.30

Finally, a revised grant award led to an increase of \$398,834 in the grant fund portion of the operating budget.

<i>Change</i>	<i>Expenditure</i>	<i>FTEs</i>
FY12 Appropriation for Grant Fund MCG	\$2,344,020	0.00
Enhance: Operating expenses for revised grant award	\$398,834	0.00
FY13 Recommended	\$2,742,854	0.00

FY13 Expenditure Issues

Major issues from public hearing testimony and other communications

The Montgomery County Chamber of Commerce testified in support of an increase in the budget of DED, along with other economic development related expenditures. The Chamber supports funding for the Montgomery Business Development Corporation (MBDC). See © 14-15. The Chamber, in its testimony, cited a Washington Business Journal report which compared DED’s job creation over the past year (556 jobs) against those of its regional peers (for example, Fairfax County Economic Development Authority reportedly created 8,765 jobs). See © 16.

Similarly, the Greater Silver Spring Chamber of Commerce also testified at the Council’s public hearing and expressed support for the MBDC efforts to obtain “meaningful funding to facilitate better business retention and expansion activities.” See © 17-18.

The Montgomery Business Development Corporation also testified at the Council’s public hearing, and subsequently submitted a letter (see © 9-11) requesting \$800,000 (\$700,000 more than the Executive’s request).

The American Film Institute’s Silver Theatre has asked for an additional \$116,039, which includes carry-forward of underfunding in the amount of \$196,729 over the past 4 years. AFI’s total request for FY13 had been \$616,229. According to a memorandum from AFI (see © 19-20):

“Critical to AFI’s agreement to operate the Silver Theatre was the County’s assurances that AFI would not be exposed to financial risk or loss. That principle was articulated in the original 1998 letter of agreement with Montgomery County (‘Montgomery County agrees to guarantee sufficient ticket sales needed to make the operation self-sustaining for the term of the lease...’); was restated in Montgomery County’s subsequent 2004 letter to the AFI Board of Directors (‘I am writing...to reaffirm my commitment to support AFI Silver’s current and anticipated revenue shortfalls...I will continue to fulfill the commitment I made to AFI when we entered into our agreement to provide the County resources to cover revenue shortfalls.’); and is acknowledged in the lease agreement (‘AFI makes no representations or warranties that Self Sustaining Operations will ever be achieved, or if achieved, maintained during the term [or any renewals] of this Lease...If at any time Self Sustaining Operations are not achieved by AFI at the Theatre, the County agrees as an audience building tool to request one or more appropriations from the Montgomery County Council...’) AFI and its Board have relied on these commitments and it would be a matter of very serious concern if we could not continue to rely upon them.”

Major changes

The \$750,000 to Bethesda Cultural Alliance is a proposed one-time payment related to failure to meet conditions that were attached to a previous state grant and payment of which arises out of the foreclosure of the Bethesda Theatre. The State also lost \$2 million in the foreclosure.

The FY12 Approved Budget included a \$350,000 one-time increase or enhancement to the DED budget. The Executive has requested \$250,000 to enhance marketing initiatives in FY13. This enhancement will fund in FY13 many of the same expenditures that were funded by the Council's one-time increase in FY12. The FY13 request does not include money for website design and implementation. DED anticipates annual costs of \$25,000 to maintain the website, once it is completed in FY12.

Two Business Development Specialist positions within DED were eliminated. Those two positions were replaced by (1) a Marketing Manager position, and (2) a Special Projects Manager position (located in the Office of the County Executive and charged to DED). Filling the long-vacant Marketing Manager position and the Special Projects Manager position will offset some of the lost capacity associated with the two Business Development Specialist positions.

The Executive requested \$100,000 for professional services contracts to be used for consulting services. In addition, the Executive requested \$100,000 for MBDC. These two expenditures would supplement DED's in-house capacity.

The American Film Institute Silver Theatre was shifted from the Arts and Humanities NDA to DED's operating budget. The \$500,190 requested in FY13 is the same as the FY12 Approved amount, though this is the first year that this item has been in DED's operating budget.

BHI is an "innovation intermediary" focused on commercializing market-relevant biohealth innovations. On January 31, the Council adopted Resolution 17-331, which included an appropriation for \$250,000 for FY12 and which described a funding schedule featuring contributions from Montgomery County in the following amounts for FY13-FY15: \$500,000 in FY13, \$500,000 in FY14, and \$250,000 in FY15.

The Executive requests \$239,665 to restore incubator network funding. In order to achieve the savings target for the FY12 budget, DED was faced with the prospect of reducing staff. However, to keep staff with "mission critical skills", DED was required to find savings elsewhere. DED negotiated with PNC Bank, the holder of the mortgage on the Shady Grove Incubator, to make interest-only payments in FY12. This arrangement freed up approximately \$180,000 in FY12 and allowed DED to maintain those positions at that time. DED experienced three resignations in FY12 which would allow DED to restore the required incubator funding of \$180,000 in FY13, as well as to offset increased operating costs for the facility and higher mortgage payments due to changes to an amortization schedule change.

The \$80,000 to TEDCO represents the County's estimated obligation for FY13 under a repayment agreement between TEDCO and the Count, which will be finalized soon. The County

will be making payments to TEDCO as part of an agreement that will keep the County out of default on a royalty provision that was included in the original agreement between TEDCO and the County related to TEDCO's assistance with the County's incubator program.

Montgomery Business Development Corporation

Montgomery Business Development Corporation (MBDC) requested \$800,000 in FY13 (an increase of \$700,000 above the Executive's request). With that additional funding, MBDC could position itself to help the County (1) develop a strategic action plan to improve the County's marketing, attraction and retention efforts, and (2) connect prospective business attraction targets (in and out of the County) with County assets. In order to do so, MBDC would need to reach a staffing level of 5-7 FTEs within the next two years. That staff would include a central staff of a President/CEO and Executive Administrator, as well as a technical staff that includes 1-2 Attraction Officers, 1-2 Retention/Expansion Officers, and 1 Financial/Economic Analyst. The 12-month personnel costs associated with this level of staffing are likely to be in the range of \$600,000 to \$840,000, not including overhead (rent, furniture, accounting services, etc.). Of course, those costs would be lower in FY13 because of the time necessary to advertise and fill positions and the imperative to grow in an orderly fashion.

If the Committee would like MBDC to play a larger role in FY13 but cannot fund the entire \$800,000 request, there are other options. For example, approximately \$250,000 to \$300,000 would be sufficient to fund a professional services contract (analysis, staffing, and transition services at a blended rate of \$250 per hour for 1,000 hours) and approximately 3 months of President/CEO salary. Under the professional services contract, MBDC could request that the consulting firm:

- Provide strategic planning services and analysis;
- Assist in coordinating the MBDC with DED's current service gaps and existing processes;
- Serve as interim President/CEO;
- Staff any other organizational needs on a task order basis until MBDC staff is in place in FY14; and
- Recruit a President/CEO and other key staff to manage MBDC's operations beginning in FY14.

One advantage of this approach is that it would limit the overhead/non-personnel costs in FY13, focusing available resources on planning both for the strategic direction of the County's overall economic development efforts and for the eventual coordination of MBDC and DED efforts. This would require an increase of approximately \$200,000 over the Executive's request.

A second advantage of this approach is that it would allow the MBDC to add value sooner and begin to create a track record of work product that will help build momentum over the course of this year. The economic development planning and policy issues currently facing the County are numerous, and the time to address them is now. DED staffing is reduced, and MBDC can augment DED's capacity with appropriate levels of funding.

Among the potential choices are the following:

1. Fund 100% of MBDC's personnel and operating costs for FY13 for any functions that the Committee would like MBDC to perform (probably \$400,000 to \$600,000 for personnel, plus operating costs);
2. Fund MBDC at the level of \$300,000 (\$200,000 increase over Executive's request) for a service provider who can serve as an interim director, coordinate with DED, provide strategic direction, and recruit/hire a President/CEO and key staff;
3. Provide funding at the level requested by the Executive; or
4. Do not provide funding for MBDC at this time.

American Film Institute

Based on the Executive's request, the AFI Silver Theatre estimates that it will carry forward \$116,039 in losses into FY14. To close that operating deficit, the Council could either choose to add the entire shortfall, or some portion thereof, to DED's operating budget.

Council Staff Recommendations

Approve the Executive's request with the following modifications:

1. Add \$116,039 for the AFI Silver Theatre to the reconciliation list; and
2. Add \$200,000 for MBDC to the reconciliation list.

Economic Development

MISSION STATEMENT

The mission of the Department of Economic Development (DED) is to make Montgomery County a globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates new job creation, and enhances entrepreneurial opportunities. This mission is divided into four strategic areas: 1) retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy; 2) adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive; 3) foster creative and strong partnerships with academia, the federal research community, the private sector, and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion; 4) establish global linkages to facilitate business opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses.

BUDGET OVERVIEW

The total recommended FY13 Operating Budget for the Department of Economic Development is \$11,277,999, an increase of \$2,943,669 or 35.3 percent from the FY12 Approved Budget of \$8,334,330. Personnel Costs comprise 32.1 percent of the budget for 33 full-time positions and three part-time positions for 27.30 FTEs. Operating Expenses account for the remaining 67.9 percent of the FY13 budget.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

❖ ***A Responsive, Accountable County Government***

❖ ***Healthy and Sustainable Neighborhoods***

❖ ***Strong and Vibrant Economy***

❖ ***Vital Living for All of Our Residents***

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below, with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY12 estimates reflect funding based on the FY12 approved budget. The FY13 and FY14 figures are performance targets based on the FY13 recommended budget and funding for comparable service levels in FY14.

ACCOMPLISHMENTS AND INITIATIVES

❖ ***Montgomery County's Department of Economic Development worked with 67 companies during fiscal year 2011 and the first two and one half quarters of 2012 that were interested in starting up, expanding, or relocating to the County. The companies that signed commitments to locate or expand in Montgomery County during the time frame are projected to retain and create over 13,327 jobs, lease or construct over 3.2 million square feet of office space, and generate over \$755 million in capital investment over the next three to five years.***

PROGRAM CONTACTS

Contact Peter Bang of the Department of Economic Development at 240.777.2008 or Mary Oneda-Brown of the Office of Management and Budget at 240.777.2751 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Marketing and Business Development

This program promotes the assets, advantages, and opportunities available within Montgomery County for domestic and international businesses. The division provides services that result in the attraction and retention of those businesses to the County. This includes industry sectors including telecommunications, biotechnology, information technology, advanced engineering, green energy, and professional services. The major focus of the program includes pursuing leads generated by the Department's business development specialists and a business visitation program to retain existing businesses. Business specialists meet with company representatives during business visits, trade show and conferences, and other events to offer assistance. They also serve as liaisons to business organizations to help identify and assist new and expanding companies. Assistance includes needs assessment, financial and training assistance, site identification, and expediting and coordinating business development. The program provides clients with land-use planning expertise, economic analysis, b2b match-making, financing and international trade assistance.

Promotional activities include media relations; event coordination; local, regional, national, and international advertising; and development of informational and sales materials including the Department's website. These efforts help to position the County in a highly competitive environment, and they set the stage for direct contact. Activities and materials are directed toward achieving balanced economic growth with a positive business climate and are often closely coordinated with local, regional, and State partners, such as the Maryland State Department of Business and Economic Development, and the World Trade Center Institute.

The program also establishes and maintains high-level relationships with local government and private industry organizations, State and Federal agencies, and national and international governments and organizations. These important contacts are sought through meetings, trade shows and conferences, national and international trade missions, and other major events that provide exposure and opportunities to market and promote the County's economic vision.

In addition, this program, jointly with the Finance and Administration Division, manages the Business Innovation Network, which currently includes five facilities in Wheaton, Silver Spring, Shady Grove, Rockville, and Germantown and encompasses over 140,000 square feet of leaseable space. These facilities provide office and lab space, high-level business support services, and innovative programming to over 145 promising entrepreneurs. The Innovation Network is poised for expansion within the next few years with the Department currently seeking a developer for Site II, the future home of the East County Center for Science and Technology. The program also operates a virtual network that provides identical programs and services to over 20 participating businesses without incurring the cost of leasing office space.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Jobs created by existing business expansion within three years of DED involvement	1009	362	980	879	740
Jobs created by new business attraction within three years of DED involvement	532	194	581	493	423
Total new capital investment by newly attracted businesses and start-up businesses through DED involvement (in millions)	32	5	3	11	7
Percent of active prospects successfully closed per fiscal year	19%	20%	25%	30%	30%
Total new capital investment by businesses currently located in the County through DED involvement (in millions)	512	74	332	304	237
New commercial space occupied by newly attracted businesses and start-up businesses through DED involvement (sq. feet)	184,613	28,484	211,428	205,304	148,405
New commercial space occupied by businesses currently located in the County through DED involvement (sq. feet)	1,881,022	756,178	1,244,717	1,341,414	1,114,106
Total new prospects developed	107	53	64	64	64
Actual total jobs created by DED per fiscal year	600	556	1,560	1,372	1,163

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	1,125,420	5.00
Enhance: Marketing Initiatives	250,000	0.00
Add: Marketing Manager Position Appointed by Council	188,288	1.00
Enhance: Special Projects Manager Position to support the County's Biotechnology Industry	174,660	1.00
Enhance: Support to Montgomery Business Development Corporation (MBDC)	100,000	0.00
Reduce: Marketing Budget	-21,363	0.00
Reduce: Eliminate Business Development Specialist Position--Marketing and Business Development Division	-113,979	-1.00
Decrease Cost: Elimination of One-Time Items Approved in FY12	-350,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	18,843	0.00
FY13 CE Recommended	1,371,869	6.00

Business Empowerment

The Division of Business Empowerment provides a variety of programs and services to the County's small and minority business community through creative initiatives and partnerships with community organizations, business groups, private enterprises, and other public agencies. Services include providing technical publications and services, workshops and conferences, the business mentorship program, and convening targeted business development events in areas such as procurement and contracting. Serving as the primary resource and advocate for small businesses in Montgomery County, this program addresses the unique needs of the small business community and helps with short and long range economic development strategies for the County.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Amount of federal grant funding received by County incubator companies (in millions)	4.3	5.2	4.4	4.4	4.4
Amount of private equity financing received by County incubator companies (in millions)	10.8	11.8	16.9	16.9	16.9
Number of intellectual property issued to County incubator companies	14	43	38	38	38
Number of new jobs created by incubator companies during the incubation period ¹	181	165	180	180	180
Number of new jobs created by incubator companies post graduation	51	50	49	49	49
Percent of participants satisfied with DED sponsored technical assistance and training programs	92%	97%	96%	96%	96%

¹ This measure no longer be reported from FY13. By definition and physical design, the incubators are not established to accommodate "during incubation period."

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	1,059,720	7.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	-117,115	-1.00
FY13 CE Recommended	942,605	6.00

Workforce Services

The Workforce Services (WS) program ensures that Montgomery County has a well-prepared, educated, trained, and adaptable workforce to meet the current and future needs of business, and that the County's workforce has the tools and resources to successfully compete in a global economy.

The Workforce Investment Board (WIB) provides advice and oversight on workforce development activities and policy. The 30-member WIB is composed of business representatives (51%), community leaders, and public officials. The Board is appointed by the County Executive in accordance with the Workforce Investment Act (WIA) of 1998 and Montgomery County Executive Order No. 159-02. The WIB does much of its work through its committees, which include the Communications, Outreach, and Board Development; Executive; Finance; Program Planning; Quality Assurance; and Youth Council committees. The work of the Board is defined by its Strategic Plan. The Staff provides support to the Board and its committees.

WS is funded by \$3 million in Federal Government, State of Maryland, and Montgomery County funds. The majority of annual formula funding received is through WIA grants to implement the One-Stop career system. This system is operated locally as MontgomeryWorks, and provides an array of vocational assessment, job readiness, job training, and job placement services to dislocated workers, low-income adults, older workers, disadvantaged workers, and youth. The WIB provides policy oversight and guidance for the expenditure of funds, which enables local businesses and the public and private sectors to work collaboratively in meeting the workforce development needs of Montgomery County. Program staff provides overall administrative support of the WIA grants and are responsible for fiscal monitoring and accounting, program monitoring and review, new program and grant development, legislation development, and contract management for the WIA and County programs.

Services are provided at the MontgomeryWorks One-Stop Workforce Centers in Wheaton and Germantown and are operated as a consortium with the Department of Licensing, Labor, and Regulation, the Workforce Solutions Group (formerly Career Transition Center, Inc.), Maryland Job Service, and other non-profit and local agency partners. MontgomeryWorks serves the businesses of the County on an ongoing basis and also provides direct services to adult and youth residents. In FY11, MontgomeryWorks served over 14,000 adult and youth clients with core services, intensive counseling services, and occupational skills training. Youth services are provided through the Maryland Multicultural Youth Center, which is operated by the Latin American Youth Council (LAYC) while TransCen offers a full range of services to youth with disabilities.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Number of employers assisted with training	40	40	40	40	40

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	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Number of employers assisted with recruitment	120	120	120	120	120
Number of DED job related placements for unemployed adults-dislocated, older, and disadvantaged workers ¹	12,650	12,900	13,200	13,200	13,200

¹ The County received additional federal stimulus grants at the end of FY09, but FY10 placements will decrease due to the continuing rise in unemployment. To reflect the anticipated improvement in the job market, DED projects a gradual increase in placements in FY11 and FY12.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	2,769,620	4.00
Enhance: Operating Expenses for Revised Grant Award	398,834	0.00
Enhance: Workforce Development	50,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	14,570	-1.00
FY13 CE Recommended	3,233,024	3.00

Agricultural Services

This program encompasses the promotion of agriculture as a viable component of the County's business and economic sector, as well as the preservation of farmland as a resource for future agricultural production capabilities. The Department of Economic Development co-sponsors farmers' markets, an annual farm tour, and other activities which promote agricultural products. The goal of the Agricultural Preservation Program is to acquire easements to protect 70,000 acres of farmland in the Agricultural Reserve. This goal was achieved in January, 2009, one year prior to the 2010 target date. Agricultural Services also provides farmers with zoning and master plan technical assistance and coordinates the County's Weed Control and Deer Donation programs.

The Montgomery Soil Conservation District (MSCD) is considered a political subdivision of the State and is staffed by County, State, and Federal employees. Programs offered by MSCD include an array of technical advice for conservation and natural resource planning, as well as a variety of educational opportunities. MSCD staff assist farmers and landowners in the County with Soil Conservation and Water Quality Plans, provide technical assistance for conservation practices, and administer a variety of Federal and State cost-share programs which help fund projects to prevent soil erosion and improve water quality. Many of these programs are designed to help protect local waterways and the Chesapeake Bay. The MSCD provides a number of programs that focus on educating Montgomery County residents about the benefits of agriculture, conservation, and natural resources management. Other services include small pond review, drainage advice for residential landowners, and administering the Cover Crop program in the County.

The Cooperative Extension Office serves as the agricultural outreach education component of the University of Maryland. This agency is funded cooperatively through local, State, and Federal governments. Farmers, families, and youth are the primary audiences of the Extension Office. Educational programs for farmers include raising crops and livestock, protecting the environment, farm and business management, marketing commodities, and pest management. Programs for families and youth include: home horticulture, family budgeting, consumer education with a focus on promoting positive parenting skills and healthful diets and lifestyles, leadership development, and traditional 4-H youth development programs. The Extension Office's professional staff utilizes an extensive network of volunteers to assist them in program delivery. Extension Office personnel manage a diverse group of over 3,000 volunteers to respond to over 100,000 information requests a year. Outreach education programs are delivered informally through one-on-one contacts, telephone assistance, the internet, classes and workshops, field days, radio, TV, and print media.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Cumulative farm acres protected	71,332	71,832	71,832	71,832	71,832
Number of farm businesses assisted	140	160	160	160	160

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	494,220	3.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	46,253	0.30
FY13 CE Recommended	540,473	3.30

Special Projects

The Division of Special Projects administers all aspects of DED's public-private partnerships programs, encompassing the Department's capital projects, legislative activities, strategic planning endeavors and new program development. The program builds programmatic relationships with local academic institutions and Federal installations to advance the County's economic base. The program also administers the Department's overall communications efforts through mass and electronic communication, maintenance

of the Department's web site, and media relations. In addition, the program oversees the development and management of the Shady Grove Life Sciences Center and planning for new science and technology centers in the east County area at White Oak, and manages the Conference Center NDA.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	532,830	4.00
Reduce: Eliminate Business Development Specialist Position--Special Projects Division	-113,200	-1.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	148,700	1.00
FY13 CE Recommended	568,330	4.00

Finance and Administration

This program is responsible for managing and servicing all departmental administrative functions including fiscal, procurement, grant applications and monitoring, IT, human resources allocation and management, market research and data analysis, and formulating and monitoring the operating and capital improvement budgets. This program also administers four financing programs under the Economic Development Fund: the Economic Development Grant and Loan program, the Technology Growth program, the Impact Assistance Fund, and the Small Business Revolving Loan program. This program also works in concert with Marketing and Business Development and Business Empowerment staff to promote the development of high technology and professional services companies within Montgomery County, and applies and negotiates financial assistance from the State for the County's businesses.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	2,352,520	3.50
Add: Bethesda Cultural Alliance (BCA) for Reimbursement of Legally Required State Contribution	750,000	0.00
Shift: American Film Institute (AFI) from NDA - Arts and Humanities Council	500,190	0.00
Increase Cost: 2nd Year of Three-Year Funding to support the America's BioHealth Intermediary (ABHI)	500,000	0.00
Increase Cost: Restore Incubator Network Funding	239,665	0.00
Enhance: Professional Services Contracts to Support Business Development Activities	100,000	0.00
Increase Cost: First of 10 Annual Payments to TEDCO (Maryland Technology Development Corporation) for the repayment of \$2.6 million Grant to County Incubator Network	80,000	0.00
Add: Technical Adjustment for Increase in Personnel Costs	60,645	0.00
Increase Cost: Wheaton Business Incubator--CAM (Common Area Maintenance) Charge	23,000	0.00
Technical Adj: Technical Adjustment for Workforce	0	0.30
Shift: Operating Costs to Personnel Costs	-60,645	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	76,323	1.20
FY13 CE Recommended	4,621,698	5.00

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BUDGET SUMMARY

	Actual FY11	Budget FY12	Estimated FY12	Recommended FY13	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	2,898,275	2,589,740	2,549,737	2,833,316	9.4%
Employee Benefits	835,434	642,850	688,450	783,452	21.9%
County General Fund Personnel Costs	3,733,709	3,232,590	3,238,187	3,616,768	11.9%
Operating Expenses	2,493,037	2,757,720	3,007,725	4,918,377	78.3%
Capital Outlay	0	0	0	0	---
County General Fund Expenditures	6,226,746	5,990,310	6,245,912	8,535,145	42.5%
PERSONNEL					
Full-Time	38	35	35	33	-5.7%
Part-Time	3	3	3	3	---
FTEs	30.80	26.50	26.50	27.30	3.0%
REVENUES					
Other Intergovernmental	48,710	48,710	48,710	48,710	---
County General Fund Revenues	48,710	48,710	48,710	48,710	---
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	0	0	0	0	---
Employee Benefits	0	0	0	0	---
Grant Fund MCG Personnel Costs	0	0	0	0	---
Operating Expenses	3,182,658	2,344,020	2,344,020	2,742,854	17.0%
Capital Outlay	0	0	0	0	---
Grant Fund MCG Expenditures	3,182,658	2,344,020	2,344,020	2,742,854	17.0%
PERSONNEL					
Full-Time	0	0	0	0	---
Part-Time	0	0	0	0	---
FTEs	0.00	0.00	0.00	0.00	---
REVENUES					
Federal Grants	2,983,652	2,344,020	2,344,020	2,742,854	17.0%
State Grants	199,006	0	0	0	---
Grant Fund MCG Revenues	3,182,658	2,344,020	2,344,020	2,742,854	17.0%
DEPARTMENT TOTALS					
Total Expenditures	9,409,404	8,334,330	8,589,932	11,277,999	35.3%
Total Full-Time Positions	38	35	35	33	-5.7%
Total Part-Time Positions	3	3	3	3	---
Total FTEs	30.80	26.50	26.50	27.30	3.0%
Total Revenues	3,231,368	2,392,730	2,392,730	2,791,564	16.7%

FY13 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY12 ORIGINAL APPROPRIATION	5,990,310	26.50
Changes (with service impacts)		
Add: Bethesda Cultural Alliance (BCA) for Reimbursement of Legally Required State Contribution [Finance and Administration]	750,000	0.00
Enhance: Marketing Initiatives [Marketing and Business Development]	250,000	0.00
Add: Marketing Manager Position Appointed by Council [Marketing and Business Development]	188,288	1.00
Enhance: Special Projects Manager Position to support the County's Biotechnology Industry [Marketing and Business Development]	174,660	1.00
Enhance: Professional Services Contracts to Support Business Development Activities [Finance and Administration]	100,000	0.00
Enhance: Support to Montgomery Business Development Corporation (MBDC) [Marketing and Business Development]	100,000	0.00
Add: Technical Adjustment for Increase in Personnel Costs [Finance and Administration]	60,645	0.00
Enhance: Workforce Development [Workforce Services]	50,000	0.00
Reduce: Marketing Budget [Marketing and Business Development]	-21,363	0.00
Reduce: Eliminate Business Development Specialist Position--Special Projects Division [Special Projects]	-113,200	-1.00
Reduce: Eliminate Business Development Specialist Position--Marketing and Business Development Division [Marketing and Business Development]	-113,979	-1.00

	Expenditures	FTEs
Other Adjustments (with no service impacts)		
Shift: American Film Institute (AFI) from NDA - Arts and Humanities Council [Finance and Administration]	500,190	0.00
Increase Cost: 2nd Year of Three-Year Funding to support the America's BioHealth Intermediary (ABHI) [Finance and Administration]	500,000	0.00
Increase Cost: Restore Incubator Network Funding [Finance and Administration]	239,665	0.00
Increase Cost: First of 10 Annual Payments to TEDCO (Maryland Technology Development Corporation) for the repayment of \$2.6 million Grant to County Incubator Network [Finance and Administration]	80,000	0.00
Increase Cost: Retirement Adjustment	73,373	0.00
Increase Cost: Lump Sum Wage Adjustment	60,550	0.00
Increase Cost: Group Insurance Adjustment	53,841	0.00
Increase Cost: Wheaton Business Incubator--CAM (Common Area Maintenance) Charge [Finance and Administration]	23,000	0.00
Increase Cost: Motor Pool Rate Adjustment	2,090	0.00
Technical Adj: Conversion of WYs to FTEs in the New Hyperion Budgeting System; FTEs are No Longer Measured for Overtime and Lapse	0	0.50
Technical Adj: Technical Adjustment for Workforce [Finance and Administration]	0	0.30
Shift: Help Desk - Desk Side Support to the Desktop Computer Modernization NDA	-1,080	0.00
Decrease Cost: Printing and Mail Adjustment	-1,200	0.00
Shift: Operating Costs to Personnel Costs [Finance and Administration]	-60,645	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY12 [Marketing and Business Development]	-350,000	0.00
FY13 RECOMMENDED:	8,535,145	27.30
GRANT FUND MCG		
FY12 ORIGINAL APPROPRIATION	2,344,020	0.00
Changes (with service impacts)		
Enhance: Operating Expenses for Revised Grant Award [Workforce Services]	398,834	0.00
FY13 RECOMMENDED:	2,742,854	0.00

PROGRAM SUMMARY

Program Name	FY12 Approved		FY13 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Marketing and Business Development	1,125,420	5.00	1,371,869	6.00
Business Empowerment	1,059,720	7.00	942,605	6.00
Workforce Services	2,769,620	4.00	3,233,024	3.00
Agricultural Services	494,220	3.00	540,473	3.30
Special Projects	532,830	4.00	568,330	4.00
Finance and Administration	2,352,520	3.50	4,621,698	5.00
Total	8,334,330	26.50	11,277,999	27.30

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY12		FY13	
		Total\$	FTEs	Total\$	FTEs
COUNTY GENERAL FUND					
CIP	CIP	588,000	4.20	470,137	4.20
Economic Development Fund	Economic Development Fund	120,540	1.00	123,814	1.00
NDA - Conference Center	County General Fund	115,460	1.00	115,350	1.00
Total		824,000	6.20	709,301	6.20

FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY13	FY14	FY15	(\$000's)		
	FY16	FY17	FY18			
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY13 Recommended	8,535	8,535	8,535	8,535	8,535	8,535
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Lump Sum Wage Adjustment	0	-61	-61	-61	-61	-61
This represents the elimination of the one-time lump sum wage increases paid in FY13.						
Germantown Business Incubator	0	3	-379	-379	-379	-379
These figures represent the impacts on the Operating Budget of projects included in the FY13-18 Recommended Capital Improvements Program.						
Subtotal Expenditures	8,535	8,478	8,096	8,096	8,096	8,096

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April 16, 2012

The Hon. Roger Berliner
President, Montgomery County Council
And Members of the Council
100 Maryland Avenue
Rockville, MD 20850

Dear Mr. Berliner and Councilmembers:

This letter is a follow-up to, and elaboration of my remarks to you on April 12, 2012 regarding the FY13 Montgomery County Operating Budget. The Montgomery Business Development Corporation (MBDC) is encouraged by the Council's commitment to economic development and eager to partner with you and the executive branch to create positive and meaningful job growth for the County. Your July 2010 action to create the MBDC established our function to "*...establish a vision of the economic future of the County...develop and articulate strategies designed to achieve that vision, advocate for legislative and regulatory changes necessary to accomplish that vision, set measurements...and provide leadership on economic issues...*". On behalf of the MBDC, I respectfully request an investment of \$800,000 to execute the mission you established for us.

Vision

MBDC believes that Montgomery County can diversify our culture and accommodate beneficial growth by adapting to changing conditions, attracting businesses and residents in a competitive marketplace, and facilitating the development of innovative products and services. Through our objective and non-partisan analysis, advocacy based on sound and consistent data, and experience grounded in business success, the MBDC board members are united to effect positive changes in the economic model of Montgomery County, as well as foster business success, in order to improve our quality of life.

The Challenges

We have come to the conclusion that Montgomery County is operating under a flawed economic model that will not lead to sustainable job growth in well-paying fields of the 21st century. We

~~rely too much upon government officials to make the case for doing business here. There is a critical need for change -- utilizing a collaborative relationship between the County's political entities and business community. This model has been successfully implemented across the United States.~~

The members of MBDC are anxious to continue contributing to the development of a stronger economy, but we are volunteers with responsibilities to our own employees and businesses. We cannot be the effective counselors, advisors and advocates you have charged us to be without a sufficient infrastructure of support. Without this support, our members are likely to look for other ways to participate in the community and MBDC will probably fold.

However, with appropriate resources, MBDC could be an effective collaborator with the existing stakeholders and also serve as the change agent of attitudes, ineffective and cumbersome practices and, most importantly, results -- that compare favorably to regional and national benchmarks. We do believe that Montgomery County is a great place to live and work. We want to grow our own businesses here and join with others to ensure a vibrant and sustainable economy.

The Proposal

The mission is vitally important, and yet, the proposed \$100,000 allocation in the County Executive's recommended budget is woefully inadequate to the mission. It pales in comparison to the time, effort and energy already committed by MBDC members as volunteers in the first year of the organization's existence and is less than the amount of in-kind support given by the members.

MBDC members have the experience of translating vision to strategy to execution, and with that experience comes the knowledge that little is accomplished without resources and the right people focused on the mission.

With your support, MBDC will exercise the power you gave it to "*...undertake any other activities...to support the mission of the Corporation.*" We propose to hire a president and an executive administrator who will participate in, and supervise, a work program focused on the following activities: the support of business retention and expansion activities and the development of, and reporting on, objective metrics for Montgomery County's economic performance. MBDC envisions working closely with the staff of the Department of Economic Development while also remaining grounded in the entrepreneurial climate that must be fostered more robustly.

The staff will be housed in appropriate leased space in the County and provided the necessary tools and equipment to be effective.

Measurements of Success

With appropriate resources, there is a long list of things that we can do, including:

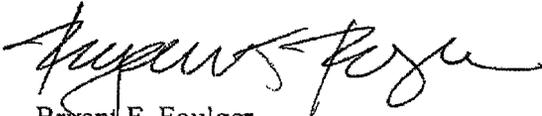
- supplementing business retention, expansion and attraction functions in collaboration with DED, and helping to shape and implement more comprehensive economic development strategies;
- facilitating data-driven and proactive economic development actions, leading to informed and long-range investments that result in improved and sustainable growth for Montgomery County.
- collecting and using data to evaluate our progress compared to other high-performing jurisdictions and informing the Council and other Government officials where the County stands and how we can capitalize on our strengths. We have already developed a preliminary economic scorecard to be used to monitor and project economic gains, but lack the resources to populate the data.
- raising awareness and investment confidence on both the County and State level through interactions with other business leaders across industries;

Since our formation, MBDC has stayed focused on success while confronting the facts of the current reality. We have the right people around the table and have established strong collegial relationships in order to build the momentum for breakthrough actions.

You are in a position to ensure that the momentum continues. Although our proposal is substantially more than the \$100,000 that the County Executive recommends, we believe that is a wise and relatively modest investment for the County to make at this time.

My colleagues and I look forward to discussing this with you in the coming weeks. We will also share with your staff the detailed assumptions underlying the requested amount. Thank you.

Sincerely,



Bryant F. Foulger
Member, Executive Committee

cc: MBDC Board Members



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DEPARTMENT OF ECONOMIC DEVELOPMENT

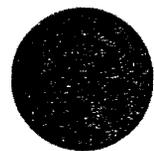
Isiah Leggett
County Executive

Steven A. Silverman
Director

April 19, 2012

Mr. Isiah Leggett
County Executive
101 Monroe Street, 2nd Floor
Rockville, Maryland 20850

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Dear Mr. Leggett: *Ike*

As you know, the County Council inserted language in its budget resolution 17-149 regarding the appropriation of \$2 million to Westfield in connection with the construction project at Westfield Wheaton which will bring Costco to Wheaton. The resolution language is as follows:

This resolution appropriates \$2,000,000 in the Economic Development Fund for the Westfield/Costco project. The Department of Economic Development (DED) or the Department of Finance must not disburse or encumber these funds until Westfield's management has had a community meeting with residents who live near the Wheaton Westfield shopping mall. The County Executive must designate a specific staff member to participate in this meeting and otherwise consider residents' ongoing concerns. The

Executive's designee must meet and otherwise work with Westfield and Costco management and residents' representatives to make sure that residents' views have been considered without impinging on the economic viability, retail planning, retail design and the operation of Westfield, Costco, or other retail stores in the mall.

In the process outlined in the preceding paragraph, the Executive's designee must make good-faith efforts to see that the following issues are addressed:

- a. loading dock;*
- b. delivery truck issues;*
- c. traffic flow in and around the mall;*
- d. pedestrian access;*
- e. building elevations;*
- f. storm water improvements; and*
- g. gas station.*

On September 14, 2011, a meeting was held at the Stephen Knolls School in Kensington which involved Westfield, Costco, Kensington Heights Civic Association (KHCA), Kensington View Civic Association, and many members of the community. I attended as the County Executive representative. Westfield and Costco outlined their plans, followed by a presentation of concerns by the community.

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Mr. Isiah Leggett
April 19, 2012
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On October 4, 2011, a document request was sent from KHCA to Costco and Westfield outlining requests for certain information including views and questions from KHCA. On October 7, 2011, a walking tour of the property was held with Westfield, Costco, and KHCA representatives.

On October 19, 2011, KHCA sent a letter to Westfield/Costco outlining requests regarding parking, pedestrian and buffer issues. On November 10, 2011, Westfield/Costco responded to KHCA outlining what it would do attaching detailed plans covering what they will or are doing in connection with the items contained in the Council resolution. On January 20, 2012, I received an email from Danila Sheveiko outlining his personal response. I have not received any official response from KHCA.

I have now received a letter dated March 8, 2012 from Westfield/Costco further outlining their response to the issues raised by the community that are the subject of the Council resolution. In my opinion, Westfield/Costco have attempted to address in good faith the issues of the loading dock, delivery truck issues, traffic flow, pedestrian access, and building elevations and design. They are complying with the county requirements for storm water improvements, which is not satisfactory to the community. Regarding the gas station issue, there remains complete disagreement regarding the siting of the gas station and an agreement cannot be reached. The matter is before the Board of Appeals for a hearing in June.

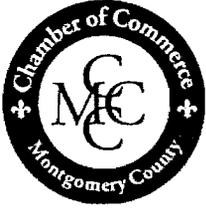
Based on this report, I believe the terms of the Council resolution have been met and recommend the release of the first \$2 million appropriation.

Sincerely,



Steven A. Silverman
Director

cc: Roger Berliner, Council President
Francoise Carrier, Chair, Planning Board
Diane Schwartz Jones, Director, Department of Permitting Services
Bob Hoyt, Director, Department of Environmental Protection
Jacob Sesker, Senior Legislative Analyst, Montgomery County Council
Donna Savage, KHCA
Jim Agliata, Westfield
Erich Brann, Costco



The Voice of Montgomery County Business

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TOM McELROY, CHAIRMAN

ORI REISS, CHAIR-ELECT

GEORGETTE "GIGI" GODWIN, PRESIDENT & CEO

MONTGOMERY COUNTY COUNCIL

HEARING ON THE FY13 COUNTY EXECUTIVE PROPOSED BUDGET

APRIL 12, 2012

TESTIMONY BY GIGI GODWIN

MONTGOMERY COUNTY CHAMBER OF COMMERCE

Good Afternoon.

My name is Gigi Godwin and I am the President & CEO of the Montgomery County Chamber of Commerce. We recognize that Montgomery County is currently facing significant challenges in balancing a budget in which there are no easy choices. We know you are trying to achieve a sustainable County budget, in which expenditures and revenues are balanced over the long-term.

In order to achieve that goal, we urge you to refocus the County budget to create an environment where our economy thrives and our tax base expands through net additional job growth.

With that in mind, the Chamber **supports** the increase in the budget to the Department of Economic Development (DED) and adequate funding to other crucial economic development essentials like the Department of Park and Planning. And, we recommend that additional funding be directed to those County efforts that will help create jobs by attracting businesses to Montgomery County including the efforts under discussion for the Council's Montgomery County Business Development Corporation (MBDC).

However, while the County Government is proposing to increase its financial commitment to expanding economic opportunity, attracting jobs, and growing its tax base, it is also doing itself a disservice in those efforts by continuing the 2010 energy tax increase. The 2010 increase was due to sunset in Fiscal Year 13 and the Chamber believes that the Council should honor that commitment.

The County's energy tax disproportionately impacts the industries in the life sciences and high-tech, which the County targets for growth. Hospitals and biotechs individually pay the highest for energy costs, averaging close to \$500,000 each. Despite having some of the most progressive businesses that are national leaders in energy conservation, this additional tax costs Montgomery County's businesses hundreds of thousands of additional dollars. It also has a negative impact on tenants in office space, many of whom are small businesses, who now face an increase in their rent through pass-through expenses such as energy use. These additional tax dollars are taken away from businesses ability to creating more jobs or develop more sophisticated products or services.

Furthermore, the Montgomery County energy tax is significantly higher than that in any of our neighboring jurisdictions, which undermines the County's efforts to attract them and retain our existing employers.

For these reasons, the Chamber **opposes** the extension of the 2010 energy tax increase and asks for the Council to honor its commitment for a sunset.

Thank you.

Industry Lists

Economic development agencies

Ranked by current annual budget

Rank (Prior)	Annual budget	Previous annual budget	Percent change	Date fiscal year ends	Jobs created in last fiscal year	Year established	Senior local executive	
1	Office of the Deputy Mayor for Planning and Economic Development 1350 Pannynavia Ave. NW, Suite 317, Washington, D.C. 20017 202-727-6365 · dcbiz.dc.gov	\$16.2 million	\$21.1 million	-23.22%	Sept. 30, 2012	n/a	1999	Victor L. Hoskins, Deputy mayor for planning and economic development
2	Arlington Economic Development 1100 N. Glebe Road, Suite 1500, Arlington, Va. 22201 703-228-0808 · arlingtonvirginiausa.com	\$9.6 million ¹	\$4.39 million	118.77%	June 30, 2012	5,289	1994	Terry F. Holzheimer, Director, Arlington Economic Development
3	Prince George's County Economic Development Corp. 1100 Mercantile Lane, Largo, Md. 20774 301-583-4650 · pgedc.com	\$7.54 million	\$9.83 million	-23.23%	June 30, 2012	1,191	1983	Gwen S. McCall, President and CEO
4	Fairfax County Economic Development Authority 8300 Boone Blvd., Suite 450, Tysons Corner, Va. 22182 703-790-0600 · fairfaxcountveda.org	\$7.05 million	\$6.8 million	3.68%	June 30, 2012	8,765	1956	Gerald L. Gordon, President and CEO, ggordon@ceda.org
5	Montgomery County Department of Economic Development 111 Rockville Pike, Suite 800, Rockville, Md. 20850 240-777-2000 · smartmontgomery.com	\$6.25 million	\$6.68 million	-6.56%	June 30, 2012	556	1981	Steve Silverman, Director
6	Loudoun County Department of Economic Development 1 Harrison St. SE, MSC No. 63, Leesburg, Va. 20175 703-777-0426 · biz.loudoun.gov	\$2.1 million	\$2.1 million		June 30, 2012	2,800	1979	Thomas Flynn, Director, thomas.flynn@loudoun.gov
7	Prince William County Department of Economic Development 10530 Linden Lake Plaza, Suite 105, Manassas, Va. 20190 703-792-5500 · pwcecondv.org	\$2.02 million	\$2.02 million		June 30, 2012	730	1997	Jeffrey A. Kaczmarek, Economic development director
8	Alexandria Economic Development Partnership 625 N. Washington St., Suite 400, Alexandria, Va. 22314 703-738-3820 · AlexEcon.org	\$1.64 million	\$1.47 million	11.56%	June 30, 2012	n/a	1992	Val P. Hawkins, President and CEO
9	Washington, D.C. Economic Partnership 1495 P St. NW, Washington, D.C. 20004 202-661-8670 · wdcep.com	\$1.36 million	\$1.87 million	-27.18%	Sept. 30, 2012	n/a	2001	Keith J. Sellars, President and CEO, ksellars@wdcep.com
10	Rockville Economic Development Inc. 95 Mehre St., Rockville, Md. 20850 301-415-8096 · rockvillered.org	\$550,000	\$550,000		June 30, 2012	n/a	1997	Lynne L. Benzion, Acting executive director, benzion@rockvillered.org
11	Town of Leesburg Economic Development 202 Church St. SE, Leesburg, Va. 20175 703-777-7019 · leesburgva.gov/business	\$374,000	\$414,000	-9.66%	June 30, 2012	n/a	2000	Marantha D Edwards, Economic development manager, medwards@leesburgva.gov
12	City of Falls Church Economic Development Office 300 Park Ave., Suite 301 E, Falls Church, Va. 22046 703-248-5491 · 703-248-5491	\$354,880	345,506	2.71%	June 30, 2012	n/a	2003	Richard Goff, Economic development director, rickgoff@fallschurchva.gov
13	City of Bowie Economic Development Office 15901 Excalibur Road, Bowie, Md. 20716 301-809-3042 · cityofbowie.org	\$344,900	\$344,300	0.17%	June 30, 2012	100	1916	John Henry King, Economic development director, jhking@cityofbowie.org
14	City of Fairfax Economic Development Authority 10455 Armstrong St., Room 207, Fairfax, Va. 22030 703-385-7851 · fairfaxcityeda.org	\$338,383	361,400	-6.37%	June 30, 2012	n/a	n/a	Michael DeMarco, Chairman
15	City of Manassas Economic Development Office 9027 Center St., Suite 201, Manassas, Va. 20110 703-257-8297 · manassascity.org	\$280,415	\$226,210	23.96%	June 30, 2012	20	1995	Elizabeth Via-Gossman, Director, community and economic development, evia-gossman@manassasva.gov

Sources: the organizations, their annual budgets n/a - not available Research by Caitlin Burke ¹The cultural arts budget was moved under the economic development budget in Dec. 2011. ²Effective April 2, 2012. The list does not endorse the participants or suggest the quality of product and services. Please send updates or corrections to cburke@bizjournals.com. Information for obtaining reprints, Web permissions or commemorative plaques can be obtained directly from the Washington Business Journal or from our designated partner company, Scoop ReprintSource at 800-767-3263 or scoopreprintsource.com. No other companies offering similar services are affiliated in any way with Washington Business Journal.

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**Testimony of
The Greater Silver Spring Chamber of Commerce
Public Hearing – FY13 Operating Budget
Montgomery County Council
Thursday, April 12, 2012**

Council President Berliner, members of the Council, good afternoon. For the record, my name is Jane Redicker and I am President of the Greater Silver Spring Chamber of Commerce. I speak here today on behalf of some 400 businesses – small and large, but mostly small – and several non-profit organizations, that are members of our Chamber and provide a significant number of jobs in Montgomery County.

As business owners, our members have faced some difficult economic challenges these past few years and while they are heartened by reports that the economy is beginning to recover, many have not seen any evidence of recovery and are still suffering. That's why my member businesses –large and small, and especially the small – were nothing short of appalled to learn that the County Executive's proposed budget includes a 5.5 percent increase in county tax supported programs and a 10.2% increase for government employee wages and benefits.

The reality is that many of the Chamber's members are struggling just to survive – content, even pleased, to see flat "growth" over last year, not even expecting real growth in this stagnant economy. Instead of increasing wages, many of our members have frozen salaries and benefits that they already dramatically lowered in years past, and have long since discontinued 401k matching programs, just to survive and continue to keep the employees they have. A survey of GSSCC members conducted in the past couple of weeks revealed the following striking facts:

- More than half the respondents either kept the same number of employees, or decreased the size of their workforce in the last year. A few companies noted that they put off hiring because of continued worries about the economy and three said they turned to part-time temporary help instead of adding full time staff last year.
- 68 percent of companies responding kept wages flat for the past year, and five indicated that the owner did not take a raise, or, in some cases, even a salary, in order to maintain current staffing levels.
- Most employers who said they were able to offer health insurance benefits saw increases in the cost of these benefits and two thirds of those said they were forced to pass along these cost increases to their employees. Only four employers indicated that their companies were able to absorb the cost of the health insurance premium increases.

That's what's happening on the ground with business in Silver Spring.

Yet almost as a slap in the face to these businesses that provide jobs and contribute to the tax base and quality of life in our community, the County Executive has proposed growing the tax-supported budget in order to make lump-sum payments to most County employees this year, restore increases to others, spend millions on increased benefit costs, and continue generous pension programs – all on the backs of businesses and taxpayers. These proposals are simply out of touch with the realities of the current economic environment.

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I wish County Executive Leggett would tell me what I should tell the members of the Greater Silver Spring Chamber of Commerce who are struggling to pay themselves and just keep the employees they have.

What I wish I could tell them is that the County Executive and the County Council are listening to and understanding what the leaders of neighboring jurisdictions realize. Take for example, the Arlington County Manager has recommended a modest 2.1 percent increase, Prince Georges County less than that, and even the spendthrift D.C. government proposed an increase of just 4.2 percent, high, but still less than 5.5 percent in Montgomery County.

As one of our members commented in the survey, “The County needs to stop spending what it doesn’t have and instead learn to restrict spending like most of the rest of us have had to do.”

We urge the County Council to heed the advice of this member and reject the County Executive’s call for increases in spending.

Likewise, we urge members of the County Council to keep the promise you made in 2010 and allow the energy tax increase, enacted that year, to sunset. Montgomery County has the most expensive energy tax rate in the region. The current tax rate is more than 300 percent higher than that in Fairfax County and the District of Columbia. This burdensome 85 percent increase fell heavily on the backs of businesses large and small. We commend the Council for its resolve at that time, passing a resolution authorizing the increase for only two years and explicitly directing that rates decrease again on July 1 this year. Given the continuing economic hard times businesses face, we urge you to reject the County Executive’s efforts to make this increase permanent. Our members ask that you keep your promise and take away this burden. In fact, one member has suggested that you not only sunset the increase, but also decrease the base rate which falls most heavily on businesses. We urge you to keep your promise and do what is right and fair.

On another note, our members were distressed that while the Executive’s stated budget priorities include assuring “a strong and vibrant economy,” the overall focus of his plan is not on growing the County’s tax base. It seems, instead, based on finding additional tax revenues to support desired programs. We suggest that Councilmembers take a serious look at each line item in the budget and ask just one question: Does this program, this expenditure, contribute directly to increasing the tax base in our County or creating jobs. If it doesn’t, you need to make the tough decision to support and give priority to those programs and investments that directly add to our job base or contribute to growing our tax base. That’s why we support efforts being undertaken by the Montgomery Business Development Corporation during the past year. We understand that the MBDC intends to seek meaningful funding to facilitate better business retention and expansion activities, in coordination with the County Department of Economic Development, activities that will grow the tax base and generate economic prosperity.

And finally, we want to see a concerted effort by county agencies to utilize funding responsibility and curtail unnecessary spending. This is long overdue. It’s one thing to cut an agency’s budget, but it is quite another to verify that it is responsibly carrying out its mission. It is my understanding from some of our member businesses that the Montgomery County agencies may not be taking advantage of some simple ways to reduce costs. I’m told that most businesses will offer up to a 2 percent discount for payment made within 30 days of billing. If County agencies were required to pay their vendors and take advantage of these discounts, perhaps the great need for additional revenue would not be so great. Something worth considering, I might suggest.

We thank you for the opportunity to provide the business perspective on the County’s budget considerations.

FY13 AFI Funding

Background:

Montgomery County approached AFI in 1998 to enter into a public/private partnership to be an anchor and icon (the "crown jewel") for its economic development and revitalization efforts in Silver Spring. We agreed to engage with the County in this project, and since that time it is fair to say that both parties have lived up to their mutual commitments.

- We have successfully established AFI Silver as arguably the premier film center in the US, with programming of national and international stature and recognition.
- AFI Silver activities contribute directly to the economic vitality of the area, bringing restaurant and retail sales to local businesses and annually generate some 10,000 hotel room nights.
- Open every day of the year, AFI Silver is the anchor of the Silver Spring Arts & Entertainment District, enabling the area to qualify and benefit from the associated tax incentives.
- Silverdocs, our international documentary festival and conference, is widely recognized as one of the top documentary events in the world. The festival draws nearly 30,000 people with over 1,000 industry professionals attending from around the world.
- AFI Silver generates significant, and overwhelmingly positive, regional and national press coverage for Montgomery County and Silver Spring. From Rolling Stone, to Variety, to NPR, to more than 50 articles in The Washington Post during the past 12 months. There is probably no other Washington institution with more frequent coverage. Overall estimated media impressions exceed 1.5 billion.
- Over 200,000 people attend AFI Silver events annually.
- Our free K-12 education program serves some 10,000 students a year.

In addition to the above, AFI has undertaken an effort to raise several hundred thousand dollars from the private sector for necessary capital improvement to the facility's digital cinema equipment. The distribution of movies on film formats (as opposed to digital) will diminish radically over the next 24 months, and installing new, compatible equipment is absolutely critical to the ongoing operation.

Funding History:

The following chart shows AFI Silver's average annual operating shortfall for its first four years of operation (FY04-07) and for the most recent four years (FY08-11), along with the average County appropriation during those periods. As you will see in the chart, AFI's annual operating shortfall has diminished over time; however, County support has diminished even more.

AFI Silver	Average Annual AFI Shortfall	Average Annual County Support
FY04-07	\$(624,280)	624,443
FY08-11	\$(577,513)	503,088

AFI has made extraordinary efforts to minimize and reduce the annual shortfall; and has achieved these results in the face of a major reduction in sponsorship revenue.

Since FY08 underwriting from the primary sponsor of the Silverdocs Festival has dropped by \$950,000. At the end of FY07, total annual private sponsorship support from all sources for AFI Silver stood at \$1.86 million. The loss of \$950,000 represents more than half that total.

In response to such dramatically diminished sponsorship revenue we undertook a very aggressive effort to reduce expenses. From FY07-11 overall expenses were reduced by just under \$900,000 (20%), including a \$554,000 (23%) reduction in spending for salaries and fringes.

Immediate FY13 Funding Issue:

An FY13 funding gap of \$116,039

- AFI had requested \$616,229 for FY13 (inclusive of \$196,729 in unfunded prior year shortfall)
- The FY13 Recommended Operating Budget calls for \$500,190

Critical to AFI's agreement to operate the Silver Theatre was the County's assurances that AFI would not be exposed to financial risk or loss. That principle was articulated in the original 1998 letter of agreement with Montgomery County ("Montgomery County agrees to guarantee sufficient ticket sales needed to make the operation self-sustaining for the term of the lease..."); was restated in Montgomery County's subsequent 2004 letter to the AFI Board of Directors ("I am writing...to reaffirm my commitment to support AFI Silver's current and anticipated revenue shortfalls....I will continue to fulfill the commitment I made to AFI when we entered into our agreement to provide County resources to cover revenue shortfalls."); and is acknowledged in the lease agreement ("AFI makes no representations or warranties that Self Sustaining Operations will ever be achieved or, if achieved, maintained during the term [or any renewals] of this Lease.... If at any time Self Sustaining Operations are not achieved by AFI at the Theatre, the County agrees as an audience building tool to request one or more appropriations from the Montgomery County Council..."). AFI and its Board have relied on these commitments, and it would be a matter of very serious concern if we could not continue to rely upon them.