

MEMORANDUM

May 6, 2010

TO: County Council

FROM: Justina J. Ferber,  Legislative Analyst

SUBJECT: Consent Calendar - Executive's Recommended FY11 Operating Budget
Non-Departmental Account – **Conference Center – \$567,400**

The Planning, Housing and Economic Development Committee unanimously recommends the Council approve the Conference Center NDA as submitted for \$567,400.

Those expected for this worksession:

Steve Silverman, DED Director
Garry Tyran, Business Development Specialist, Conference Center
John Cuff, Management and Budget Specialist, OMB

The Executive's Recommended FY11 Operating Budget for the Conference Center NDA can be found on pages 67-6 of the budget.

Overview

The Executive's budget recommendation for FY11 for the Conference Center is \$567,400 and 1.0 workyear which is \$50,000 less than last year's \$617,400 budgeted. In FY10 expenses of \$50,000 were included for the biennial management audit; they are eliminated for FY11.

This NDA includes funds for 1) a full-time position to manage the operational and fiscal oversight of the Conference Center complex on behalf of the County; 2) non-routine or major repairs, alterations, improvements, renewals and replacements; and 3) reserve funds required by the management agreement. The County has a Management Agreement with Marriott International, Inc. to run the Conference Center. All other revenues generated by the Conference Center go into the County's General Fund.

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

Below is a chart of expenditures and revenues for FY09, FY10 and FY11.

Conference Center-993017001

Operating Expenses	Sub-Object Code	FY09 BUDGET	FY09 EXPENSES	FY10 BUDGET	YTD FY10 EXPENSES	FY11 BUDGET
Accounting/Audit Services	2000	-	-	50,000	-	-
Printing/Mailing		-	-	10	-	10
Building Maintenance/Improvements	2201	100,000	-	100,000	-	100,000
Operating Losses/Working Capital/ Misc. Expenses	6999	354,300	338,791	362,270	512,684	351,220
Total Operating		454,300	338,791	512,280	512,684	451,230
Personnel Expenses						
Salaries and Benefits	Various	112,790	73,173	105,120	57,347	116,170
Total		567,090	411,964	617,400	570,031	567,400
Revenue						
		FY09 BUDGET	FY09 ACTUAL	FY10 BUDGET	FY10 YTD REVENUE	FY11 BUDGET
Land Rent	M415	319,100	319,100	319,100	319,100	319,100
Net Operating Income*	M909	1,405,000	1,682,365	1,220,415	731,519	900,000
Total		1,724,100	2,001,465	1,539,515	1,050,619	1,219,100
Revenue vs. Expenses		1,157,010	1,589,501	922,115	480,588	651,700

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

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

FY10 Losses as of 3/10 are-\$531,807 --- \$63,311 for Pd 7(2009), \$53,004 for Pd 9(2009), \$170,668 in Pd9 (2009), \$81,700(Pd1), \$163,124 (Pd2) The extensive loss in Pd 2 is a result of cancellations that occurred during the snow storms in February. Most of these events have been rescheduled in April and May with a few spilling over into FY11. Therefore, no additional losses are projected at this time ; however, numbers are subject to change based on actuals the County receives from Marriott. Total NOI through March, 2010 amounts to \$731,519.

Revenue projections for the Conference Center will be below the FY10 budget of \$1,220,415 with total revenue projected at \$1,100,000 (M909)

Expenses in FY10 include all losses less \$96,124, which was paid out of the 20% reserve due to insufficient funds within the NDA.

FY10 includes additional expenditure payment to Marriott for \$77,000 to fund working capital and maintenance costs to repair a chiller at the facility.

FY11 Budget includes appropriation for \$100,000 Maintenance, \$200,000 Reserve Requirement, and \$151,000 for losses.

Discussion

Due to the economy, revenues of the Conference Center have been declining; however, there is still some profit to cover expenses and provide a general fund contribution. The Conference Center should begin to see increased usage in the second half of FY11 as the economy improves. The above chart shows projected revenue and operating expenses for FY11.

Last year the PHED Committee recommended DED review the County's Management Agreement with Marriott International to determine whether the County should renegotiate any of the provisions in the Agreement. A study of cost allocations in the Agreement is underway and should be finalized shortly. The Conference Center Management Committee will review the study to determine future cost allocations.

Committee Recommendation

- **The PHED Committee recommends approval of the Conference Center NDA as recommended.**