

MEMORANDUM

May 6, 2010

TO: County Council

FROM: Justina J. Ferber  Legislative Analyst

SUBJECT: Consent Calendar - Executive's Recommended FY11 Operating Budget -
Economic Development Fund (EDF)

The Planning, Housing and Economic Development Committee unanimously recommends the Council approve the Economic Development Fund budget as submitted for \$852,440.

Those expected for this worksession:

Steve Silverman, DED Director
Tina Benjamin, Chief of Staff, DED
Peter Bang, Chief, Finance, Administration and Special Projects Division, DED
John Cuff, Management and Budget Specialist, OMB
Jennifer Shovlin, Senior Financial Specialist, DED

The Executive's Recommended FY11 Operating Budget for the Economic Development Fund (EDF) can be found on pages 60-1 to 60-3 of the budget. A copy is attached at ©1-3.

Overview

For FY11 the Executive recommends an operating budget of \$852,440 for the Economic Development Fund which is the same appropriation as FY09 and FY10. Personnel costs charged to the fund are \$122,810.

The County Council appropriates money to the fund as part of its regular budget process. The EDF is a special fund that is separate from the General Fund and the balance from this fund may be carried over from year to year. The fund also accumulates interest and is replenished when loans are repaid. The fund is administered by the Department of Economic Development and the Department of Finance. The Executive must report to the Council by March 15 each year on the status and use of the fund. The Annual Report is attached at ©6-43.

Since FY02, funding for the EDF has been limited and each year the Council has indicated that it will consider requests for additional EDF funding on a case by case basis. If the funds budgeted for FY11 are insufficient to meet economic development offers made by the County, the Council anticipates that the County Executive will request supplemental funding.

Economic Development Fund Expenditures and Workyears FY09, FY10, FY11

(in \$000's)	FY09 Actual	FY10 Approved	FY11 CE Recommended	% Change FY10-FY11
Expenditures:				
General Fund	852,440	852,440	852,440	0.0%
Grant Fund				
TOTAL Expenditures	3,014,376	852,440	852,440	0.0%
Revenues	474,067	241,850	232,920	-3.70%
Positions:				
Full-time	1	1	1	0.0%
Part-time	-	-	-	
TOTAL Positions	1	1	1	0.0%
WORKYEARS	1.0	1.0	1.0	0.0%

Economic Development Fund Allocation

Economic Development Fund	FY10 Budget	FY11 Recommended	Available Fund Balance Carried to FY11 from FY10
Grants and Loans Program Impact Assistance Program	\$720,710; 1 wy	\$755,670; 1 wy	\$111,937* \$172,479*
Technology Growth Program	\$0	\$0	0
Demolition Loan Program	\$0	\$0	0
Small Business Revolving Loan Program Micro-Enterprise Loan Program	\$131,730	\$96,770	\$1,018,698*
Economic Development Fund Total	\$852,440	\$852,440	\$1,079,240*

*The EDF sums in the fund balance are adjusted as commitments are made from the fund.

Under the Grant and Loan Program, for FY07 and FY06, the Council included \$100,000 in funding to provide grants to small businesses impacted by the County's revitalization projects. No additional funding was appropriated in FY08 or FY10.

Discussion

The County Executive announced in March that the County would receive \$2,000,000 from the Chungbuk Province in Korea. Details of the funding are being worked out and the funding is not included in the EDF.

On October 15, 2009, DED reported to the PHED Committee on EDF strategies. DED will update the Committee on any changes since that briefing.

Staff Recommendation: Consider reducing the EDF budget by \$500,000. The Council policy still encourages DED to request EDF funding by supplemental appropriation as opportunities become available during the fiscal year. Approve the EDF operating budget for \$352,440.

Committee Discussion and Recommendation

The Committee did not wish to reduce funding in the EDF.

Committee Chair Knapp cited the recent publication by Park and Planning entitled "Montgomery County Snapshot"; a data report and trend analysis of the County. Committee members felt the data in the report would be invaluable to DED as it attracts businesses to the County. DED Director Silverman stated that he would work closely with the new Planning Board Chair concerning the data available from Park and Planning.

- **The Planning, Housing and Economic Development Committee unanimously recommends the Council approve the Economic Development Fund budget as submitted for \$852,440.**

Attachment: FY11 Economic Development Fund Budget ©1
 Cover Memo Economic Development Fund Annual Report ©4
 Economic Development Fund Annual Report March 2010 – *Link below*

http://www.montgomerycountymd.gov/content/council/pdf/agenda/cm/2010/100421/20100421_PHED5.pdf

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Economic Development Fund

MISSION STATEMENT

The mission of the Economic Development Fund is to assist private employers who are located, or plan to locate, or substantially expand operations in the County. The Fund is administered by the Department of Finance, and programs utilizing the Fund are administered by the respective departments as noted below.

BUDGET OVERVIEW

The total recommended FY11 Operating Budget for the Economic Development Fund is \$852,440, which is the same as the total for the FY10 Approved Budget. Personnel Costs comprise 14 percent of the budget for one workyear for a position in the Department of Economic Development. Operating Expenses account for the remaining 86 percent of the FY11 budget.

LINKAGE TO COUNTY RESULT AREAS

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

- ❖ *Healthy and Sustainable Neighborhoods*
- ❖ *Strong and Vibrant Economy*

PROGRAM CONTACTS

Contact Peter Bang of the Economic Development Fund at 240.777.2008 or Alison Dollar of the Office of Management and Budget at 240.777.2781 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Demolition Loan Program

The Demolition Loan Program was established in FY99. The program helps owners of obsolete, underutilized commercial buildings demolish buildings and clear the land. This program is administered by the Department of Housing and Community Affairs.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	0	0.0
FY11 CE Recommended	0	0.0

Economic Development Grant and Loan Program

The Economic Development Grant and Loan Program was established in FY96 to provide assistance to private employers who will retain jobs already in the County or create jobs in the County through the expansion of current businesses or location of new businesses in the County. As part of its Marketing and Business Development Program, the Department of Economic Development (DED) identifies and develops prospects which meet the criteria for grants or loans from the Economic Development Fund. DED works to develop offers of assistance, frequently in close cooperation and coordination with the State of Maryland. By March 15, the County Executive submits an annual report on the status and use of the Fund, as required by Chapter 20-76 (b) of the Montgomery County Code. This program is administered by the Department of Economic Development.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	720,710	1.0
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	34,960	0.0
FY11 CE Recommended	755,670	1.0

Notes: Reflects adjustments of funds to maintain the program.

Technology Growth Program

The Technology Growth Program was created in FY99 as a program within the Economic Development Fund to facilitate the growth of technology-based companies located or desiring to locate in the County. Financial assistance under the program is based on the evaluation of the technology and the innovation proposed, along with potential impact for the County. The program is aimed at leveraging private-sector financing and State Challenge and Equity Investment funds and is administered by the Department of Economic Development.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	0	0.0
FY11 CE Recommended	0	0.0

Small Business Revolving Loan Program

The Small Business Revolving Loan Program was established in FY00. The program augments a grant from the Maryland Economic Development Assistance Authority and Fund (MEDAAF) Act under Senate Bill 446 to finance economic development projects that do not receive priority consideration from traditional private and public sources because they are in non-priority industry sectors and/or non-priority transaction sites. The program offers secured loans typically in the range of \$25,000 to \$100,000 and is administered by the Department of Economic Development.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	131,730	0.0
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-34,960	0.0
FY11 CE Recommended	96,770	0.0

Notes: Expenditures have been adjusted to reflect FY11 estimated revenues for this program.

BUDGET SUMMARY

	Actual FY09	Budget FY10	Estimated FY10	Recommended FY11	% Chg Bud/Rec
ECONOMIC DEVELOPMENT FUND					
EXPENDITURES					
Salaries and Wages	90,903	101,470	101,470	90,630	-10.7%
Employee Benefits	28,289	31,870	31,870	32,180	1.0%
Economic Development Fund Personnel Costs	119,192	133,340	133,340	122,810	-7.9%
Operating Expenses	555,000	719,100	1,899,150	729,630	1.5%
Capital Outlay	0	0	0	0	—
Economic Development Fund Expenditures	674,192	852,440	2,032,490	852,440	—
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	1.0	1.0	1.0	1.0	—
REVENUES					
Investment Income - Pooled	21,184	20,000	4,550	19,520	-2.4%
Loan Repayment Small Business Revolving Loan	227,036	131,730	89,200	96,770	-26.5%
Loan Repayments Grant & Loan Program	157,989	20,430	56,700	49,540	142.5%
Micro-Enterprise Loan Program	9,492	13,810	13,800	13,800	-0.1%
Technology Growth Program Loan Repayments	32,837	31,800	21,550	21,550	-32.2%
Loan Repayments Community Legacy Program	25,529	24,080	27,090	31,740	31.8%
Economic Development Fund Revenues	474,067	241,850	212,890	232,920	-3.7%

FY11 RECOMMENDED CHANGES

	Expenditures	WYs
ECONOMIC DEVELOPMENT FUND		
FY10 ORIGINAL APPROPRIATION	852,440	1.0
FY11 RECOMMENDED:	852,440	1.0

PROGRAM SUMMARY

Program Name	FY10 Approved		FY11 Recommended	
	Expenditures	WYs	Expenditures	WYs
Demolition Loan Program	0	0.0	0	0.0
Economic Development Grant and Loan Program	720,710	1.0	755,670	1.0
Technology Growth Program	0	0.0	0	0.0
Small Business Revolving Loan Program	131,730	0.0	96,770	0.0
Total	852,440	1.0	852,440	1.0

FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY11	FY12	FY13	FY14	FY15	FY16
This table is intended to present significant future fiscal impacts of the department's programs.						
ECONOMIC DEVELOPMENT FUND						
Expenditures						
FY11 Recommended	852	852	852	852	852	852
No inflation or compensation change is included in outyear projections.						
Subtotal Expenditures	852	852	852	852	852	852



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 18, 2010

TO: Nancy Floreen, President, Montgomery County Council

FROM: Isiah Leggett, County Executive

SUBJECT: 2010 Annual Report - Economic Development Fund

I am pleased to submit to the County Council the fourteenth Annual Report on the status and use of the Economic Development Fund (“Fund” or “EDF”). The legislation creating the Fund requires that an annual report be submitted every year.

EDF continues to play a vital role in the County’s retention and attraction efforts. Thanks to the continued support of the County Council, the Department of Economic Development (DED) has been actively pursuing retention and attraction projects during the past year. These projects include the Costco Wheaton project, the Northrop Grumman corporate headquarters attraction project, the Choice Hotels corporate headquarters retention project, the Qiagen Germantown Campus expansion project, and the Thales Communications corporate headquarters expansion project. Despite the challenging economic conditions, EDF enables the County to compete for opportunities to stimulate job growth, expand the County’s tax base, and provide much-needed capital to resident businesses.

The following highlights the EDF programs and notable results accomplished by EDF recipients since the programs’ inception:

- Total Number of EDF Grant & Loan Program
Funded and Committed Transactions..... 150
- Actual Real Estate & Personal Property Tax Collected 1997-2008..... \$99 million
- Total Jobs Created & Retained..... 28,000+
- State Funds Leveraged..... \$44 Million+
- Total Private Capital Investment Induced..... \$1.14 Billion+

Noteworthy Attraction to the County

Zyngenia, Inc.....

Relocation of its headquarters from California to the County

RNL Biostar, Inc.....

Attraction of a top Korean stem cell therapeutics company to the County

Nancy Floreen
March 18, 2010
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EDF Recipients with Successful Equity Financing in 2010

Zyngenia, Inc.	\$50 million
GenVec, Inc.	\$28 million
Novavax, Inc.	\$21 million
Rexahn Pharmaceuticals, Inc.	\$ 5 million

The attached annual report provides details on the status of the Fund, activities of the Fund’s sub-programs, the cumulative economic impact generated, and the impact expected to be generated from the companies assisted.

I would like to thank the County Council for its continued support of the EDF programs and the critical role it has played in making the Fund an important tool to attract new companies to the County, and support the retention and facilitate the growth of local businesses in the County during these challenging economic times.

Questions about the report should be directed to Peter Bang at extension 7-2008.

IL/pb

Attachment