

PHED Committee #5  
April 30, 2014

**Worksession**

**MEMORANDUM**

April 29, 2014

TO: Planning, Housing and Economic Development Committee  
FROM: Jacob Sesker, Senior Legislative Analyst   
SUBJECT: FY15 Operating Budget Adjustment: Department of Economic Development

Those likely to attend: Steve Silverman, Director, DED; Peter Bang, Chief Operating Officer, DED; Tina Benjamin, DED; Jahantab Siddiqui, OMB.

**EXPENDITURE AMENDMENT—Bethesda Blues and Jazz**

In his April 28, 2014 budget adjustments, the County Executive recommends an increase of \$100,000 in the DED budget for “Bethesda Blues and Jazz Supper Club Audio-Visual Equipment.” This expenditure amendment follows an earlier letter from Bethesda Blues and Jazz requesting financial assistance to obtain additional AV equipment. *Please see Bethesda Blues and Jazz Letter, © 2.*

Bethesda Blues and Jazz seeks financial assistance to purchase equipment that is comparable to equipment that the County leased to Bethesda Cultural Alliance (BCA) prior to its going out of business. That equipment lease with BCA included no requirement that the County replace or replenish the equipment.

The equipment lease was assigned to Bethesda Blues and Jazz when it purchased the facility. At that time, the County represented that the “equipment is currently believed to be located in the Bethesda Theater Condominium Unit.” The County appears to have made no representation that all equipment was present or functional.

Sometime after Bethesda Blues and Jazz began operating as a venue, it discovered that some of the equipment was missing or had been replaced with equipment of a lower quality than the equipment identified in the County's original lease agreement with BCA.

**The County has no legal obligation to replace the equipment, cannot confirm who had possession of the equipment after BCA ceased operations, and made no affirmative representation that the equipment was present.** If the County is to replace the equipment, it is not because there is any obligation to do so, but rather because it is a policy decision.

If the Council supports the Executive's policy decision to provide financial assistance to Bethesda Blues and Jazz, a critical issue is the amount of that assistance. The original lease was executed almost a decade ago and contained **no replacement or replenishment requirement**—some of the equipment that is currently missing or was replaced at some point in time with lower quality equipment quite possibly **would be not functioning as a result of age or use.** **Bethesda Blues and Jazz could not have had any reasonable expectation at the time that the equipment lease was assigned that the facility would have low-cost or no-cost use of brand new A/V equipment.**

If the Council supports this expenditure, it is not yet decided what procurement/contracting vehicle DED would use. Obviously, one option is to place Bethesda Blues and Jazz on the non-competitive contract list and enter into an agreement with the facility. A second option is that DED can enter into a strategic partnership agreement with Bethesda Blues and Jazz, which is one approach that DED can use to enter into agreements with for-profit entities to achieve strategic objectives outside of the Economic Development Fund.

DED's budget is home to many expenditures—either recommended by the Executive or added/enhanced by the Council—which require procurement, contract drafting and administration, performance monitoring, and other accounting or legal services. The proliferation of such expenditures will continue to place pressure on a department with limited resources for central administrative functions.

**Staff recommends against this proposed expenditure.**

©	Item
1	DED Budget Adjustment
2	Bethesda Blues and Jazz Letter

# DETAIL ON RECOMMENDED FY15 CE AMENDMENTS

## Tax Supported

### RESOURCE AMENDMENTS

#### DOT-Transit Services

**RIDE ON FARE REVENUE** -544,508

The County Executive's Recommended Operating Budget assumed a Ride On fare increase and other fares consistent with WMATA's proposed fares. Subsequent to the release of the County Executive's budget, WMATA approved fares that were lower than initially proposed. This adjustment reflects changes to Ride On fares that are consistent with WMATA's adopted fares.

#### MCG

**INTERGOVERNMENTAL REVENUE** 394,321

This adjustment is the net increase in General Fund revenue to reflect updated State Aid estimates for Police Aid (\$220,430), Library Aid (-\$262,385), and Core Health Services Funding (\$436,276).

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**Total Tax Supported Resources** -150,187

### EXPENDITURE AMENDMENTS

#### DOT-Transit Services

**INCREASE COST: ADD FUNDING FOR ROUTE DETOURS ASSOCIATED WITH THE LYTTONSVILLE BRIDGE REPAIR** 390,000

The County has imposed a weight restriction on the Lyttonsville Bridge near the Department of Transportation's Silver Spring Ride On Depot. As a result, Ride On buses leaving and returning to the garage must detour using other routes, which are longer. This change results in additional time added to many Ride On runs, and additional operating costs for fuel and maintenance.

#### Economic Development

**INCREASE COST: BETHESDA BLUES AND JAZZ SUPPER CLUB AUDIO-VISUAL EQUIPMENT** 100,000

#### NDA - Community Grants: County Executive

**ADD: COMMUNITY GRANT: ALLIANCE FOR WORKPLACE EXCELLENCE (OPERATING SUPPORT)** 25,000  
Provides for operating support.

**ADD: COMMUNITY GRANT: MONTGOMERY COUNTY MUSLIM FOUNDATION (SENIOR TRANSPORTATION PROGRAM)** 55,000  
Provides support for the Senior Transportation Program

**ADD: COMMUNITY GRANT: WASHINGTON YOUTH FOUNDATION, INC. (BEHAVIORAL HEALTH OUTREACH AND EDUCATION PROGRAM)** 50,000  
Provides for the Behavioral Health Outreach and Education program

**ADD: COMMUNITY GRANT: RABA LEADERSHIP INITIATIVE, INC. (OPERATING SUPPORT FOR A YOUTH LEADERSHIP PROGRAM)** 30,000  
Provides for operating support for a youth leadership program

#### Police

**ENHANCE: EIGHT SCHOOL RESOURCE OFFICERS** 373,216

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Bethesda Blues & Jazz Supper Club  
7719 Wisconsin Ave., Bethesda, Maryland 20814

[www.bethesdabluesjazz.com](http://www.bethesdabluesjazz.com)

Mr. Isiah Leggett

March 11, 2014

County Executive

Executive Office Building

101 Monroe Street, 2<sup>nd</sup> Floor

Rockville, MD 20850

Dear Mr. Leggett,

It has been 2 years since we purchased the Bethesda Theater (2/1/12) and one year since we opened (2/28/13) the Bethesda Blues & Jazz Supper Club. In our first year we were able to exceed 36,000 customers, 225 artists and over 40 private, corporate and community events.

We have employed 58 staff members and with over \$2,500,000 in revenue and have paid over \$175,000 in sales and alcohol taxes and \$40,000 in real estate taxes. This is in a property that had sat vacant for several years, with a substantial investment by the County. We are glad to have had such success and see even greater success in 2014.

However, we need your assistance. As you may recall, the County provided the theater with a sound and light package, which exceeded \$700,000 worth of equipment. When we acquired the property and assumed that lease, we discovered that many of the items were not present.

A 15' x 27', \$46,415 motorized screen was never here. It also appears that the \$47,434 sound board was switched out by someone and replaced by a smaller, cheaper version.

We also are missing the BSS signal processor, \$11,400 which was swapped out with a \$399 unit that has now broken.

What we request is that the County simply replace these items in our lease agreement. These would cost roughly \$100,000 and would allow us to provide outstanding sound for the venue.

We are competing against 2 venues, The Strathmore and The Filmore that have substantial County investments. We are simply asking for the County to replace or repair the systems we thought we had when we bought the property.

Sincerely,

Rick Brown, Proprietor

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