


MEMORANDUM

April 15, 2015

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: FY16 Operating Budget: Conference Center NDA

The following persons are expected to attend this worksession: Sally Sternbach, Acting Director, Department of Economic Development (DED); Tina Benjamin, Chief, Special Projects Division (DED); Pofen Salem (OMB).

The relevant page from the FY16 Recommended Operating Budget is attached at © 1.

Staff Recommendation: Concur with Recommended Budget for Conference Center NDA

Overview

The County Executive's FY16 request of \$616,072 represents an increase of \$53,105 relative to the FY15 Approved Budget of \$562,967. The FY16 request includes 1.00 FTE, which represents no change from the FY15 Approved Budget. The increase in the appropriation request is almost entirely attributable to the cost of the biennial audit for the Conference Center. The audit is performed every other year, meaning that the appropriation for this NDA tends to either go up or down by \$50,000 each year.

<i>Change</i>	<i>Expenditure</i>	<i>FTEs</i>
FY15 Approved Budget	\$562,967	1.00
Increase Cost: Annualization of FY15 Personnel Costs	\$3,105	0.00
Increase Cost: Biennial Audit for the Conference Center	\$50,000	0.00
FY16 Recommended Budget	\$616,072	1.00

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

Annual expenditures for this account really are limited to the personnel costs and (when applicable) the audit, and therefore fluctuate between approximately \$100,000 and approximately \$150,000. In contrast, annual revenues (net of contributions to the owner-funded capital reserve) are significantly higher (see below). Ground lease revenue, which also accrues to the General Fund, will increase substantially following the sub-lessor's redevelopment of the newly created "East Parcel."

Contributions To The General Fund

FY 2014	\$ 1,257,918
FY 2013	\$ 1,247,374
FY 2012	\$ 1,038,637
FY 2011	\$ 1,268,712
FY 2010	\$ 1,081,182
FY 2009	\$ 903,362
FY 2008	\$ 1,660,900
FY 2007	\$ 1,159,812
FY 2006	\$ 1,605,167
FY 2005	\$ 1,946,519

Ground Lease

FY 2014	\$ 319,100
FY 2013	\$ 319,100
FY 2012	\$ 319,100
FY 2011	\$ 319,104
FY 2010	\$ 319,103
FY 2009	\$ 319,104
FY 2008	\$ 319,100
FY 2007	\$ 125,000
FY 2006	\$ 125,000
FY 2005	\$ 125,000

Attachment: © 1 Recommended FY16 Operating Budget: Conference Center NDA

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and monitors claims experience.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	2,407,014	1.08
Increase Cost: Group Insurance Cost-sharing in IAFF, Local 1664 Labor Agreement	620,000	0.00
Increase Cost: MLS Pay for Performance - Non-Tax Supported	22,359	0.00
Increase Cost: FY16 Compensation Adjustment	12,737	0.00
Increase Cost: Annualization of FY15 Operating Expenses	7,269	0.15
Increase Cost: Group Insurance Adjustment	1,237	0.00
Decrease Cost: Retirement Adjustment	-158	0.00
FY16 CE Recommended	3,070,458	1.23

Conference and Visitors Bureau

The Conference and Visitors Bureau (CVB) promotes Montgomery County as a destination for meetings/conferences, student group travel, group tours, leisure travel, and amateur sports events. The CVB develops and distributes publications on points of interest to tourists; implements public information campaigns promoting tourism and event facilitation in Montgomery County; and attends trade shows and sales missions in target markets. The CVB also serves as a resource center assisting small and large hospitality businesses considering new product development and/or expansions. The CVB coordinates with the State Department of Tourism, State Film Office, Capital Region USA (CRUSA), TEAM Maryland, and national and regional events to promote tourism growth, increased visitor spending and visitation in Montgomery County. The CVB manages the tourism marketing grant provided annually by the Maryland Tourism Development Board. The CVB operates on contract with the Department of Economic Development. Funding is based on 7 percent of the total hotel/motel tax revenues.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	1,225,848	0.00
Increase Cost: Allocation Based on Revised Hotel/Motel Tax Estimate	197,940	0.00
FY16 CE Recommended	1,423,788	0.00

Conference Center

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

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

Funding is also included to reimburse the contractor for costs not covered by operations during accounting periods when losses occur. These costs will be offset by contractor payments to the County during accounting periods with operating gains. To ensure fiscal and operational accountability, a management audit is conducted every two years and the program budget is increased by \$50,000 during the year such audit is scheduled. Revenues consisting of net operating income from the Conference Center and land rent from the hotel are deposited into the general fund. Twenty percent of the County's net proceeds from Conference Center operations is retained for investment in marketing and facility improvements to increase Conference Center usage. All proposed investment expenditures are reviewed and approved by the Conference Center Management Committee.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	562,967	1.00
Increase Cost: Biennial Audit for the Conference Center	50,000	0.00
Increase Cost: Annualization of FY15 Personnel Costs	3,105	0.00
FY16 CE Recommended	616,072	1.00

Consolidated Retiree Health Benefits Trust (MCPS)

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

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	85,507,000	0.00
Decrease Cost: County Contribution Based on Actuarial Valuation	-23,774,000	0.00
FY16 CE Recommended	61,733,000	0.00