

PHED Committee #1 & 5
April 27, 2016

MEMORANDUM

April 25, 2016

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: Supplemental Appropriation #16-395 to the FY16 Operating Budget
Montgomery County Government
Department of Economic Development
Montgomery County Economic Development Corporation, \$250,000
Source: General Fund – Undesignated Reserve

FY17 Operating Budget: Montgomery County Economic Development Corporation NDA

The following persons are expected to attend this worksession: Bob Buchanan, Chair of Montgomery County Economic Development Corporation; Robby Brewer, Vice Chair, MCEDC; Sanjay Rai, Treasurer, MCEDC; Lily Qi, Assistant Chief Administrative Officer (CEX); Pofen Salem (OMB).

Staff Recommendations: (1) Approve FY16 Supplemental with Modifications; (2) Concur with Recommended Budget for the MC Economic Development Corporation NDA

FY16 Supplemental

The County Executive transmitted a supplemental appropriation request in the amount of \$250,000 to fund start-up costs for the Montgomery County Economic Development Corporation (MCEDC). *See CE Supplemental Appropriation Transmittal, © 1.* The supplemental would be added to the FY16 operating budget of the Department of Economic Development (DED) and would fund a contract with MCEDC. *See Draft Resolution, © 2.* The County Executive previously provided \$250,000 of start-up funding via a transfer from DED. *See CAO December Memo, © 4.*

The supplemental is necessary to fund start-up costs. The organization has already incurred costs associated with professional services (legal, marketing, website development, etc.) and the ongoing CEO search, and is beginning to work with real estate professionals to identify office space and design tenant improvements.

Council staff notes that the Chief Administrative Officer will transmit an amendment to Resolution 18-150, Section G, FY16 Designation of Entities for Non-Competitive Award Status, increasing the previously approved amount of \$250,000 to \$500,000. Staff anticipates receiving that amendment in the coming days. **Staff recommends adding language to increase the amount in Section G, non-competitive award list.** A public hearing on the resolution is scheduled for May 10, 2016. Action is scheduled immediately following the public hearing.

Staff recommendation: Approve the resolution with modification to add necessary changes to Section G, Designation of Entities for Non-Competitive Award Status.

FY17 Budget Overview

The relevant pages from the FY17 Recommended Operating Budget is attached at © 5-6. The County Executive requests \$4,180,750 for this NDA. This is the first year for this NDA. That entire amount is shifted from other locations in the FY16 operating budget (see calculation below). The expected budget at stabilization is likely to fall in between \$7.0 million and \$8.5 million per year, although the organizational needs in FY17 are below that amount due to the “ramp up.”

<i>Change</i>	<i>Expenditure</i>	<i>FTEs</i>
FY16 Approved Budget	\$0	0.00
Shift from Lease NDA	+\$501,204	0.00
Shift from DED Personnel Costs	+\$2,344,839	0.00
Shift from DED Operating Expenditures	+\$3,160,660	0.00
Adjust Personnel Costs	+\$74,519	0.00
Decreased to reflect services/functions remaining in MCG	-\$1,665,013	0.00
Decreased to reflect shift of operating expenses to Ag	-\$113,835	0.00
Decreased to reflect FY16 2% savings	-\$121,624	0.00
FY17 Recommended Budget	\$4,180,750	0.00

FY17 will be the first full year of operations for MCEDC. The Board has not yet hired a CEO. As such, the Board has not approved a work program, budget, or performance measures for FY17. A presentation describing the organization (see © 7-14) describes the MCEDC Board of Directors, start-up activities, CEO search efforts, and draft budget.

Future reviews of the MCEDC budget are likely to involve a more detailed presentation (similar to the Conference and Visitors Bureau presentation of its annual budget and work program). **Council staff recommends a fall update on the FY17 (first year) work programs**

and budgets of both WorkSource Montgomery and Montgomery County Economic Development Corporation.

Organizational Overview

MCEDC is a new public private partnership, nonprofit corporation. Chapter 30B (Economic Development) states that the future success of Montgomery County is built on the following: a vibrant and growing economy; successful businesses creating this economy; and government fostering a legislative and regulatory environment that encourages business success. To achieve these goals, the County Government may designate a nonprofit corporation as the Montgomery County Economic Development Corporation to implement the County's economic development programs and activities.

To achieve the policy objectives, the Corporation will implement the County's economic development strategic plan and specified economic development programs, including: attracting and retaining businesses; facilitating economic industrial and commercial development; encouraging investment in commerce, industries and businesses; promoting job growth and talent attraction in coordination with the Workforce Development Board; advising and informing County officials on economic development matters; providing services to resident businesses, including business retention, counseling, business planning, etc.; stimulating and nurturing the development of new businesses; and promoting the development of a vital and balanced economy.

Under 30B-2, the County Council must designate, by resolution approved by the County Executive, a single nonprofit corporation that complies with all requirements and criteria of Chapter 30B, Article I, as the Montgomery County Economic Development Corporation. The Council approved the designation on March 15, 2016. **On June 30, 2016, the Department of Economic Development will cease to operate. On July 1, 2016, the County's lead economic development organization will be MCEDC.**

Staff recommendation: Concur with the CE's recommended budget – MCEDC NDA.

- Attachment: © 1 CE Transmittal – Supplemental Appropriation
© 2 Draft Resolution
© 4 CAO Section G Memo (December 2015)
© 5 CE's Recommended Budget FY17 MCEDC NDA
© 7 MCEDC Presentation



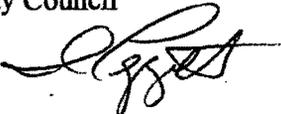
OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

April 21, 2016

TO: Nancy Floreen, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Supplemental Appropriation #16-395 to the FY16 Operating Budget
Montgomery County Government
Department of Economic Development
Montgomery County Economic Development Corporation, \$250,000

I am recommending a supplemental appropriation to the FY16 Operating Budget of the Department of Economic Development in the amount of \$250,000 to increase the amount of funding provided to the Montgomery County Economic Development Corporation (MCEDC). This appropriation will fund services related to the start-up of the organization.

This supplemental appropriation will augment funds previously allocated to MCEDC through a departmental transfer from the Department of Economic Development, as start-up costs have exceeded original expectations. The total start-up costs are estimated at approximately \$500,000 to cover personnel costs for the new CEO and supporting staff as well as expected operating expenses for general office operations, professional services, and infrastructure support. It is important that sufficient funds are available to support rapid build-up of the organization.

I recommend that the County Council approve this supplemental appropriation in the amount of \$250,000 and specify the source of funds as undesignated reserve.

I appreciate your prompt consideration of this action.

IL:pf

Attachment: Supplemental Appropriation #16-395

cc: Sally Sternbach, Department of Economic Development
Jennifer A. Hughes, Office of Management and Budget
Lily Qi, Office of the County Executive
Pofen Salem, Office of Management and Budget

1

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Supplemental Appropriation #16-395 to the FY16 Operating Budget
Montgomery County Government
Department of Economic Development
Montgomery County Economic Development Corporation, \$250,000; and
Amendment to Fiscal Year 2016 Operating Budget
Resolution 18-150, Section G, Fiscal Year 2016 Designation of Entities for
Non-Competitive Contract Award Status

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. The County Executive has requested the following FY16 Operating Budget appropriation increases for the Department of Economic Development:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$250,000	\$0	\$250,000	County General Fund – Undesignated Reserve

- 3. This supplemental appropriation is needed to provide additional funding to the Montgomery County Economic Development Corporation to support expenses related to organizational start-up.
- 4. The County Executive recommends a supplemental appropriation to the FY16 Operating Budget in the amount of \$250,000 for the Montgomery County Economic Development Corporation and specifies that the source of funds will be General Fund - Undesignated Reserve. This amount increases the amount of the non-competitive award from \$250,000 to \$500,000.
- 5. Notice of public hearing was given, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY16 Operating Budget of the Department of Economic Development is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$250,000	\$0	\$250,000	County General Fund – Undesignated Reserve

This resolution amends Resolution 18-150 Section G, Non-Competitive Contract List, to increase the amount of the non-competitive award to the Montgomery County Economic Development Corporation to: “Carry out economic development efforts on behalf of Montgomery County as approved in Council Bill 25-15,” up to a total of \$500,000.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

LAm



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

December 2, 2015

RECEIVED
MONTGOMERY COUNTY
COUNCIL
2015 DEC -2 AM 10:23

TO: Nancy Floreen, President, County Council
FROM: Timothy L. Firestine, Chief Administrative Officer *Timothy L. Firestine*
SUBJECT: Amendment to the Fiscal Year 2016 Operating Budget
Resolution 18-150, Section G, FY2016 Designation of Entities for
Non-Competitive Contract Award Status

Attached is an amendment to the FY2016 Operating Budget, Designation of Entities for Non-Competitive Contract Award, for the Office of the County Executive.

The amended FY16 Operating Budget Resolution 18-150, Section G, FY16 Designation of Entities for Non-Competitive Contract Award Status will now include the Montgomery County Economic Development Corporation and will read: "Carry out economic development efforts on behalf of Montgomery County as approved in Council Bill 25-15" in the amount of \$250,000.

This amendment will enable the Department to provide start-up funding to the Montgomery County Economic Development Corporation until FY17, when MCEDC will receive a full-year's funding to carry-out the County's economic development efforts in full. The contract will be funded with the Department of Economic Development's existing appropriations for FY16. I have determined that the development of a contract with this entity serves a public purpose and is in the public interest. Therefore, I recommend the Council amend the Miscellaneous Provision in Section G of Resolution 18-150 for the FY16 Designation of Entities for Non-Competitive Award.

TLF:aw

- c: Sally Sternbach, Director, Department of Economic Development
- Lily Qi, Director of Special Projects, Office of the County Executive
- Jennifer A. Hughes, Director, Office of Management and Budget
- Bonnie A. Kirkland, Assistant Chief Administrative Officer
- Linda A. McMillan, County Council Staff

Attachments



4

Oversight, the Board of Appeals, the Office of Zoning and Administrative Hearings, and the Office of the Inspector General) to inform constituent communities of issues that directly affect them and to ensure that these communities' concerns are effectively taken into account. Communications efforts supported by this NDA include expanded outreach in Spanish and other languages, greater use of web and social media resources, Open Government initiatives, and improved management of constituent requests.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	490,000	2.00
FY17 Recommended	490,000	2.00

MEDCO Grant - Incubator Network

This NDA provides debt service and facility lease payments for the County's Business Innovation Network (BIN-business incubator) facilities, program funding for the Business Incubator Without Wall Program (for Wheaton and Down County area), and the debt service payment for the National CyberSecurity Center of Excellence (NCCoE). Maryland Economic Development Corporation (MEDCO) is the County's program partner and the agent responsible for managing these facilities and programs. The BIN network consists of three physical locations: the Silver Spring Innovation Center (SSIC) on Georgia Avenue owned by the County, the Rockville Innovation Center (RIC) in Rockville Town Square owned by MEDCO, and the Germantown Innovation Center (GIC) on the campus of Montgomery College that the County leases from the College Foundation until 2036. The NCCoE, located at 9700 Great Seneca Highway, Rockville, is a partnership between the National Institute of Standard and Technology (NIST), the State of Maryland, and Montgomery County. MEDCO provides facility management but the MITRE Corporation selected by the NIST is in charge of day to day operations.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
Shift: Operating Support of Incubators from Department of Economic Development	3,416,621	0.00
FY17 Recommended	3,416,621	0.00

Metro Washington Council of Governments

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	818,488	0.00
Increase Cost: General Membership Dues and Assessments	36,691	0.00
FY17 Recommended	855,179	0.00

Montgomery Coalition for Adult English Literacy (MCAEL)

This NDA provides funding for the Montgomery Coalition for Adult English Literacy (MCAEL). MCAEL's mission is to strengthen the countywide adult English literacy providers' network with resources, training, collaborations, and advocacy to support a thriving community and an effective workforce. Funding for MCAEL supports program grants to organizations that provide adult English literacy services; technical assistance, training, and networking opportunities that improve program quality and coordination; information resources for the community; and operating expenses to administer grants to over 20 programs and educate and engage the community about the need for and benefits from adult English literacy classes. The County's contribution is implemented by a contract between the Department of Public Libraries and MCAEL.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	1,357,058	0.00
Enhance: MCAEL Grants and Operating Support	100,000	0.00
FY17 Recommended	1,457,058	0.00

Montgomery County Economic Development Corporation

This is the private non-profit corporation established by Council Bill 25-15 that serves as Montgomery County's lead economic development organization. The Economic Development Corporation is responsible for implementing the County's economic development strategic plan and related programs that include marketing, business retention and attraction, entrepreneurship, and promoting the development of the County's economic base.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
Shift: Operating Support of MCEDC from Department of Economic Development	4,180,750	0.00
FY17 Recommended	4,180,750	0.00

Montgomery County Employee Retirement Plans

The mission of this NDA is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. Expenditures associated with this program are funded from the Employees' Retirement System (ERS), Retirement Savings Plan (RSP), and the General Fund on behalf of the Montgomery County Deferred Compensation Plan (DCP) trust funds and are, therefore, not appropriated here. This NDA manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy and investment guidelines. The Board also administers the investment programs for the RSP and DCP. The Board consists of 13 trustees including the Directors of Human Resources, Finance, and Management and Budget; the Council Administrator; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
FY17 Recommended	0	0.00

Motor Pool Fund Contribution

This NDA funds the acquisition of new, additional Motor Pool fleet vehicles, as opposed to replacement vehicles, which are financed through an established chargeback mechanism.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
FY17 Recommended	0	0.00

Municipal Tax Duplication

The Montgomery County Tax Duplication Program, authorized by Chapter 30A of the Montgomery County Code, reimburses municipalities for those public services they provide that would otherwise be provided by the County. This goes beyond State law, Section 6-305, which requires the County to provide to municipalities only the Property Tax funded portion of those costs. County Council Resolution No. 9-1752, enacted April 27, 1982, increased the scope of program coverage from street-related expenditures to include other public services, such as police supplemental aid; animal control; elderly transportation; parks maintenance; Board of Appeals; and Human Rights.

This program was reviewed in FY96 and technical formula amendments proposed. The changes were approved, and payment calculations since then are prepared in accordance with County Council Resolution No. 13-650, adopted September 10, 1996. Specifically, as the exact payment amount for the current year cannot be determined until both municipal and County books are closed, reimbursements are based on the final audited cost of performing eligible services during the fiscal year two years prior to the budget year.

All payments are subject to appropriation under Sec. 30A-4, which states "All expenditures by the county under the authority of this chapter shall be subject to the limits of the funds appropriated by the County Council."

7



Montgomery County Economic Development Corporation

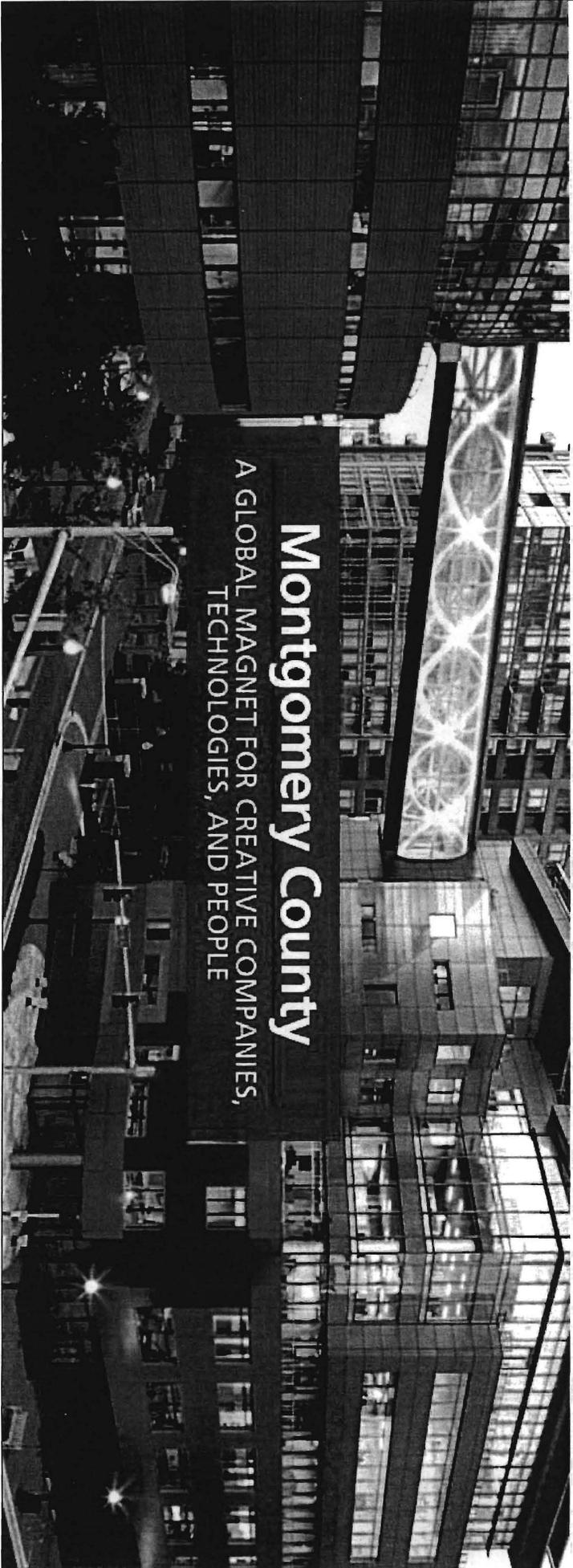
PHED Committee

April 27, 2016

MCEDC Board of Directors

Term	Name	Affiliation	Leadership
1-yr	Jim Brady	Vice President, Finance, MedImmune	
1-yr	Terry Forde	CEO, Adventist Healthcare	Chair, CEO Search Committee
1-yr	Sanjay Rai	SVP for Academic Affairs, Montgomery College	Treasurer, Executive Committee
1-yr	Ron Paul	Chairman, EagleBank; Chief Executive Officer of Eagle Bancorp, Inc. and EagleBank	Chair, Governance Committee
2-yr	Cidalia Luis-Akbar	Chairman & CEO, M. Luis Construction	Chair, Vendor Selection Committee
2-yr	Tien Wong	CEO or Chairman of Lore Systems, Tech 2000, & Opus8, Inc.	
2-yr	Ola Sage	CEO, e-Management	Secretary, Executive Committee
			Chair, Marketing and Communications Committee
2-yr	Robby Brewer	Principal, Lerch, Early & Brewer; chair, MBDC	Vice Chair, Executive Committee; Chair, Space Committee
3-yr	Angela Graham	President & CEO, Quality Biological	
3-yr	Bob Buchanan	Chair, The 2030 Group	Chair, Executive Committee
3-yr	Ellie Giles	CEO, WorkSource Montgomery	
Ex-officio (CE)	Lily Qi	Assistant CAO, Office of the County Executive	
Ex-officio (CC)	Jacob Sesker	Senior Legislative Analyst, County Council	
Ex-Officio (State)	Mike Gill	Secretary, Maryland Department of Commerce	





Montgomery County
A GLOBAL MAGNET FOR CREATIVE COMPANIES,
TECHNOLOGIES, AND PEOPLE



Upcoming Meetings & Minutes

- Board of Directors
 - Upcoming Meetings & Minutes
 - History & Heritage
 - Demographic Information
 - Leading Employers
 - Companies Headquartered in Montgomery County
 - Business Opportunities with MCEDC
- Search

Upcoming MCEDC meetings:

Board Meeting

April 20, 2016 10am-11:30am
 Buchanan Partners
 9841 Washingtonian Blvd. Ste. 300
 Gaithersburg, MD 20878

MCEDC is building out a space on its website to post opportunities to do business with the new corporation.

Minutes from past MCEDC Meetings

April 5, 2016

Executive Committee Meeting
 Lerch, Early & Brewer 3 Bethesda Metro Center #460

[View meeting minutes \[PDF file\]](#)



Start-up Activities

- Board seated with 11 voting members and 3 ex officio members
- Established MCEDC as a non-profit corporation; completed articles of incorporation, bylaws and conflict of interest policies
- Conducted Board retreat in January to establish short-term priorities
- Hired marketing/PR firm to develop interim website, marketing collateral and communications
- Interim website launched: www.choosemontgomerycountymd.com
- Hired part-time contract staff
- Hired outside counsel to supplement pro bono counsel where necessary



Start-up Activities

- Retained real estate broker; searching for permanent office space with VisitMontgomery and WorkSource Montgomery
- Retained accounting and audit services
- Started transition of resources and activities from MBDC and DED (work is on-going)
- Initiated partnership with state on matching grants for Relevant Health Accelerator
- Held Board seminar with national economic development consultant Gray Swoope to discuss start-up issues and best practices for the corporation

Board Members continue to be visible at county and regional events to publicize MCEDC.



CEO Search

- Formed CEO Search Committee: Terry Forde (Chair), Angela Graham, Ron Paul and Sanjay Rai
- Hired DHR International to lead national search
- Developed 'Opportunity Profile' (Position Description)
- Solicited applications from candidates across the country
- Received over 80 responses
- CEO Search Committee reviewed top candidates' resumes and conducted initial interviews with 4 candidates

Hiring and on-boarding MCEDC's first CEO is the top priority for the Board.



FY17 Draft Budget

Expenses	FY17 Proposed Budget	FY17 Budget Notes
Professional Services	200,000.00	accounting, legal, HR, insurance
Personnel	2,200,000.00	6 staff members, benefits
Office Space	300,000.00	architect, build out, FF&E
Rent	300,000.00	
Office Supplies/IT	15,000.00	computers, printers, copiers, other start-up materials
Marketing/PR/Website	850,000.00	
Events/Sponsorships	250,000.00	
Travel	25,000.00	
Subscription Services	60,000.00	site licences
Total Expenses	4,200,000.00	

The MCEDC Board expects the CEO to propose a detailed formal budget for its adoption prior to the beginning of the fiscal year.

