


**MEMORANDUM**

April 25, 2016

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: FY17 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, Special Assistant (CEX); Pofen Salem (OMB). The relevant page from the FY17 Recommended Operating Budget is attached at © 1.

<b>Staff Recommendation: Concur with Recommended Budget for Conference Center NDA</b>
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**Overview**

The County Executive's FY17 request of \$582,760 represents a decrease of \$33,303 relative to the FY16 Approved Budget of \$616,072. The decrease in the appropriation request is attributable to the biennial audit for the Conference Center. The audit is performed every other year, meaning that the appropriation for this NDA goes up or down by \$50,000 each year. The FY17 request includes 1.00 FTE, which represents no change from the FY16 Approved Budget.

<i>Change</i>	<i>Expenditure</i>	<i>FTEs</i>
<b>FY16 Approved Budget</b>	<b>\$616,072</b>	<b>1.00</b>
Increase Cost: Annualization of FY16 Personnel Costs	+\$11,364	0.00
Shift: Costar license from DED	+\$4,000	0.00
Increase Cost: FY17 Compensation Adjustment	+\$1,333	0.00
Decrease Cost: Biennial Management Audit	-\$50,000	0.00
<b>FY17 Recommended Budget</b>	<b>\$582,769</b>	<b>1.00</b>

Since the Conference Center opened in 2004, this NDA has funded the following: a full-time position<sup>1</sup> 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 are limited to the personnel costs and 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".

Transfer to General Fund		Ground Lease Revenue	
FY 2015	\$ 1,422,049	FY 2015	\$319,100
FY 2014	\$ 1,257,918	FY 2014	\$319,100
FY 2013	\$ 1,247,374	FY 2013	\$319,100
FY 2012	\$ 1,038,637	FY 2012	\$319,104
FY 2011	\$ 1,268,712	FY 2011	\$319,103
FY 2010	\$ 1,081,182	FY 2010	\$319,104
FY 2009	\$ 903,362	FY 2009	\$319,100
FY 2008	\$ 1,660,900	FY 2008	\$125,000
FY 2007	\$ 1,159,812	FY 2007	\$125,000
FY 2006	\$ 1,605,167	FY 2006	\$125,000
FY 2005	\$ 1,946,519	FY 2005	\$125,000

Attachment: © 1 Recommended FY17 Operating Budget: Conference Center NDA

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<sup>1</sup> Through FY16, that position has been in the Department of Economic Development (Special Projects Division). In FY17, the position funded in this NDA will be in the Department of Finance.

organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments. Performance-Based awards for MLS employees are funded in FY17.

Unemployment Insurance: The County is self-insured for unemployment claims resulting from separations of service. Unemployment insurance is managed by the Office of Human Resources through a third party administrator who advises the County and monitors claims experience.

<b>FY17 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY16 Approved</b>	<b>2,450,458</b>	<b>1.23</b>
Increase Cost: Actuarial Charges	75,000	0.00
Increase Cost: MLS Pay for Performance - Non-Tax Supported	6,077	0.00
Increase Cost: FY17 Compensation Adjustment	2,353	0.00
Increase Cost: Group Insurance Adjustment	781	0.00
Increase Cost: Printing and Mail	273	0.00
Shift: Telecommunications to the Telecommunications Non-Departmental Account	(150)	0.00
Increase Cost: Retirement Adjustment	(263)	0.00
Decrease Cost: Annualization of FY16 Personnel Costs	(782)	(0.05)
<b>FY17 Recommended</b>	<b>2,533,747</b>	<b>1.18</b>

## 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.

<b>FY17 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY16 Approved</b>	<b>1,423,788</b>	<b>0.00</b>
Increase Cost: Allocation Based on Hotel/Motel Tax Estimate	20,827	0.00
<b>FY17 Recommended</b>	<b>1,444,615</b>	<b>0.00</b>

## 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

<b>FY17 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY16 Approved</b>	<b>616,072</b>	<b>1.00</b>
Increase Cost: Annualization of FY16 Personnel Costs	11,364	0.00
Shift: Costar License from Department of Economic Development	4,000	0.00
Increase Cost: FY17 Compensation Adjustment	1,333	0.00
Decrease Cost: Biennial Management Audit	(50,000)	0.00
<b>FY17 Recommended</b>	<b>582,769</b>	<b>1.00</b>

### **Consolidated Retiree Health Benefits Trust (MCPS)**

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

<b>FY17 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY16 Approved</b>	<b>61,733,000</b>	<b>0.00</b>
Increase Cost: County Contribution Based on Actuarial Valuation	1,322,000	0.00
<b>FY17 Recommended</b>	<b>63,055,000</b>	<b>0.00</b>

### **Consolidated Retiree Health Benefits Trust (Montgomery College)**

This NDA provides consolidated funding for Montgomery College's contribution to the Retiree Health Benefits Trust.

<b>FY17 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY16 Approved</b>	<b>1,428,000</b>	<b>0.00</b>
Increase Cost: County Contribution Based on Actuarial Valuation	96,000	0.00
<b>FY17 Recommended</b>	<b>1,524,000</b>	<b>0.00</b>

### **County Associations**

This NDA funds Montgomery County membership dues to the National Association of Counties (NACo) and the Maryland Association of Counties (MACo).

<b>FY17 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY16 Approved</b>	<b>74,728</b>	<b>0.00</b>
<b>FY17 Recommended</b>	<b>74,728</b>	<b>0.00</b>

### **Device Client Management**

The Device Client Management (DCM) program is based on a best practices approach to maintaining a modern and cost effective computing environment in the County. The program reduces the Total Cost of Ownership (TCO) of personal computers (PCs) and laptops through standardization, asset management, and maintenance services. DCM includes the centralized management, support, and maintenance of PCs and targets the annual replacement of approximately one-fourth of managed PCs. The program also includes PC-related training and software. This NDA includes funding for Help Desk support, management, maintenance, and replacement of PCs.

Replacement of the remaining Windows XP machines is completed as of mid-FY15.

<b>FY17 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY16 Approved</b>	<b>5,800,200</b>	<b>0.00</b>