

**Worksession**

**MEMORANDUM**

April 11, 2011

TO: Planning, Housing and Economic Development Committee  
FROM: Justina J. Ferber, Legislative Analyst  
SUBJECT: Worksession - Executive's Recommended FY12 Operating Budget  
Non-Departmental Account – **Conference Center – \$617,510**

Those expected to attend this worksession:

Steve Silverman, DED Director  
Corinne Rothblum, Business Development Specialist, Conference Center  
Alison Dollar, Management and Budget Specialist, OMB

The Executive's Recommended FY12 NDA for the Conference Center can be found on pages 65-5 and 65-6 of the budget. A copy is attached at ©1.

**Overview**

The Executive's budget recommendation for FY12 for the Conference Center is \$617,510 and 1.0 workyear which is a \$50,110 increase over FY11's \$567,400 budget. In FY12 expenses of \$50,000 are included for the biennial management audit required by the management agreement.

This NDA includes funds for 1) a full-time position to manage the operational and fiscal oversight of the Conference Center complex on behalf of the County; 2) non-routine or major repairs, alterations, improvements, renewals and replacements; and 3) reserve funds required by the Management Agreement. The County has a Management Agreement with Marriott International, Inc. to run the Conference Center. All other revenues generated by the Conference Center go into the County's General Fund.

Revenues consisting of net operating income from the Conference Center and land rent from the hotel are also part of the NDA. Twenty percent of the County's net proceeds from the Conference Center operations will be retained for investment in marketing and facility improvements which will encourage Conference Center usage. All proposed investment expenditures will be reviewed and approved by the Conference Center Management Committee.

A study of cost allocations in the Management Agreement has been finalized and the Conference Center Management Committee is determining what cost allocation changes will occur.

Below is a chart of expenditures and revenues for FY10, FY11 and FY12.

- Chart of expenditures and revenues budgeted for FY12 and estimated expenditures/revenues for FY11 and actual expenditures/revenues for FY10.

**Conference Center-  
993017001**

Operating Expenses	Sub-Object Code	FY10 BUDGET	FY 10 ACTUAL EXPENSES	FY11 BUDGET	YTD FY11 EXPENSES	FY 12 BUDGET
Accounting/Audit Services	2000	50,000	-	-	-	50,000
Printing/Mailing		10	-	10	-	10
Building Maintenance/Improvements	2201	100,000	-	100,000	-	100,000
Operating Losses/Working Capital/ Misc. Expenses	6999	362,270	512,684	351,220	409,323	351,330
<b>Total Operating</b>		<b>512,280</b>	<b>512,684</b>	<b>451,230</b>	<b>409,323</b>	<b>501,340</b>
<b>Personnel Expenses</b>						
Salaries and Benefits	Various		101,355	116,170	57,903	116,170
<b>Total</b>			<b>614,039</b>	<b>567,400</b>	<b>467,226</b>	<b>617,510</b>
<b>Revenue</b>						
		<b>FY10 BUDGET</b>	<b>FY10 REVENUE</b>	<b>FY11 BUDGET</b>	<b>YTD FY 11 REVENUES</b>	
Land Rent	M415	319,100	319,100	319,100	186,144	319,100
Net Operating Income 1	M909	1,220,415	1,211,913	900,000	570,666	1,500,000
<b>Total</b>		<b>1,539,515</b>	<b>1,531,013</b>	<b>1,219,100</b>	<b>756,810</b>	<b>1,819,100</b>
<b>Revenue vs. Expenses</b>		<b>922,115</b>	<b>916,974</b>	<b>642,700</b>	<b>289,584</b>	<b>1,201,590</b>

1. This amount represents the funds that will be distributed by Marriott to the County after deducting Marriott's Incentive Management Fee.
2. Rent is included at the rate of \$26,592 per month for all 12 months.
3. YTD Revenues are through Marriott's FY11 Period 2, which ended February 25, 2011.
4. FY11 Losses as of 3/11 are \$409,323: \$39,735 for Period 7 (2010); \$72,138 for Period 8 (2010); \$171,886 for Period 9 (2010); & \$125,564 for Period 2 (2011).
5. No additional operating losses are projected through the end of FY 11.

FY 12 budget includes \$100,000 maintenance, \$200,000 reserve requirement, \$151,000 for months with losses and \$50,000 for a bi-annual audit

**Discussion**

The Conference Center began to see increased usage in the second half of FY11 as the economy improved. The above chart shows projected revenue and operating expenses for FY12. Net operating income, the funds that will be distributed by Marriott to the County after deducting Marriott's fee, will increase in FY12.

**Staff Recommendation**

- **Approve the Conference Center NDA for \$617,510.**

Attachment: Conference Center NDA ©1

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non-represented employees, deferred compensation management, and unemployment insurance.

**Non-Qualified Retirement Plan:** This provides funding for that portion of a retiree's benefit payment that exceeds the Internal Revenue Code's §415 limits on payments from a qualified retirement plan. Payment of these benefits from the County's Employees' Retirement System (ERS) would jeopardize the qualified nature of the County's ERS. The amount in this NDA will vary based on future changes in the Consumer Price Index (CPI) affecting benefit payments, new retirees with a non-qualified level of benefits, and changes in Federal law governing the level of qualified benefits.

**Deferred Compensation Management:** These costs are for management expenses required for administration of the County's Deferred Compensation program. Management expenses include legal and consulting fees, office supplies, printing and postage, and County staff support.

**Management Leadership Service Performance-Based Pay Awards:** In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to 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 not funded in FY12.

**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>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>1,728,780</b>	<b>1.6</b>
Shift: Group Insurance Adjustment - Countywide Vision Insurance Program	322,530	0.0
Increase Cost: Annualization of FY11 Personnel Costs	5,820	0.0
Increase Cost: Restore Personnel Costs - Furloughs	2,440	0.0
Increase Cost: Help Desk - Desk Side Support	170	0.0
Increase Cost: Printing and Mail Adjustment	80	0.0
Decrease Cost: Retirement Adjustment	-5,820	0.0
Decrease Cost: Group Insurance Adjustment	-7,560	0.0
Shift: Human Resources Specialist in the Performance Management Program Transferred to the Office of Human Resources	-95,840	-1.0
Decrease Cost: Elimination of One-Time Items Approved in FY11	-919,750	0.0
<b>FY12 CE Recommended</b>	<b>1,030,850</b>	<b>0.6</b>

### **Conference and Visitors Bureau**

The Conference and Visitors Bureau (CVB) promotes Montgomery County as a tourist destination site to meeting planners, student groups, group tour operators, leisure travelers, sports events/spectators, and travel writers. The CVB develops and distributes publications on points of interest to tourists; and conducts public information campaigns promoting tourism and event facilitation in Montgomery County. The CVB 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, 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 3.5 percent of the total hotel/motel tax revenues.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>607,350</b>	<b>0.0</b>
Increase Cost: Appropriation Adjustment Based on Hotel Motel Tax Revenue Projections	91,530	0.0
<b>FY12 CE Recommended</b>	<b>698,880</b>	<b>0.0</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 or major 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. In FY12, funds have been included to complete the management audit as required by the Management Agreement between the County and Marriott International, Inc.

Revenues consisting of net operating income from the Conference Center and land rent from the hotel are also reflected in the NDA. Twenty percent of the County's net proceeds from Conference Center operations will be retained for investment in marketing and facility improvements that will increase Conference Center usage. All proposed investment expenditures will be reviewed and approved by the Conference Center Management Committee.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>567,400</b>	<b>1.0</b>
Add: Funding for the FY12 Management Audit	50,000	0.0
Increase Cost: Group Insurance Adjustment	110	0.0
<b>FY12 CE Recommended</b>	<b>617,510</b>	<b>1.0</b>

### **Council of Governments**

The Metropolitan Washington Council of Governments (COG) is a voluntary association of major local governments in the Washington Metropolitan Area. COG seeks to provide regional answers to, and coordination of, area-wide issues such as air and water pollution, day care, housing, crime, water supply, land use, and transportation.

This NDA reflects Montgomery County's share of the organization's operation plus special COG initiatives. Additionally, the contribution supports the Cooperative Purchasing Program; the Anacostia Restoration Fund; the Regional Environmental Fund; the Airport Noise Abatement Program; and a membership fee for participation on a regional housing committee.

As in previous years, the Washington Suburban Sanitary Commission will provide Montgomery County's contribution to support the Water Resources Management Planning Program and the Blue Plains Users Program.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>754,500</b>	<b>0.0</b>
Decrease Cost: Annualization of FY11 Operating Expenses	-11,560	0.0
<b>FY12 CE Recommended</b>	<b>742,940</b>	<b>0.0</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>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>72,710</b>	<b>0.0</b>
<b>FY12 CE Recommended</b>	<b>72,710</b>	<b>0.0</b>

### **Desktop Computer Modernization**

The Desktop Computer Modernization (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.

For FY12, the County Executive recommends resuming the scheduled replacement of desktop computers. Currently 45% of County Government PC's, laptops and workstations are 4 years old or older. 18% are 5 years old or older. These units are at the end of their useful life and catastrophic device failures will increase, with visible negative impacts to both county employees and residents.

Further, Microsoft's Windows XP operating system is at the end of its lifecycle and will not be supported beyond April, 2014. Windows 7, Microsoft's new operating system, requires more robust hardware to operate correctly. Old systems will not work properly with the newest systems (without significant support requirements, expanding support resources) across the network resulting in degraded interoperability and communications. Risk of computer security incidents and compromise will increase,