

Worksession

M E M O R A N D U M

April 13, 2009

TO: Planning, Housing and Economic Development Committee
FROM: Justina J. Ferber,  Legislative Analyst
SUBJECT: Worksession - Executive's Recommended FY10 Operating Budget
Non-Departmental Account - **Conference Center**

Those expected for this worksession:

Tina Benjamin, Acting, Director, DED
Peter Bang, Chief, Finance, Administration and Special Projects Division, DED
Garry Tyran, Business Development Specialist, Conference Center
John Cuff, Management and Budget Specialist, OMB

The Executive's Recommended FY10 Operating Budget for the Conference Center NDA can be found on pages 68-6 of the budget. A copy is attached at ©1.

Overview

The Executive's budget recommendation for FY10 for the Conference Center is \$617,400 and 1.0 workyear. Expenses of \$50,000 for the biennial management audit are responsible for the increase in the Conference Center budget. There is a technical adjustment of 1.0 workyear no longer reflected in the NDA. The workyear will be accounted for in the DED budget; however, the "position" will remain in the Conference Center NDA including the funding for the position.

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.

Revenues consisting of net operating income from the Conference Center and land rent from the hotel are also in 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.

FY10 Expenditure Issues

Below is a chart of expenditures and revenues for FY08, FY09 and FY10.

Conference Center-93017001

Operating Expenses	Sub-Object Code	FY08 BUDGET	FY08 EXPENSES	FY09 BUDGET	FY09 EXPENSES	FY10 BUDGET
Accounting/Audit Services	2000	50,000	18,900	-	-	50,000
Printing/Mailing		-	-	-	-	10
Building Maintenance/Improvements	2201	100,000	-	100,000	-	100,000
Operating Losses/Other Misc. Exp.	6999	350,000	346,663	354,300	324,480	362,270
Total Operating		500,000	365,563	454,300	324,480	512,280
Personnel Expenses						
Salaries and Benefits	Various	105,090	100,600	112,790	44,837	105,115
Total		605,090	466,163	567,090	369,317	617,395
Revenue						
		FY08 BUDGET	FY08 ACTUAL	FY09 BUDGET	FY09 YTD	FY10 BUDGET
Land Rent	M415	205,900	205,900	319,100	212,733	319,100
Net Operating Income*	M909	1,913,400	851,000	1,405,000	1,395,002	1,220,415
Total		2,119,300	1,056,900	1,724,100	1,607,735	1,539,515
Revenue vs. Expenses		1,514,210	590,737	1,157,010	1,238,418	922,120

* This amount represents the funds that will be distributed by Marriott to the County after the Incentive Fee and 20% set aside.

Rent is included at the rate of \$26,591.67 per month for all 12 months.

FY09 Losses as of February, 2009 amount to \$324,250 (\$66,580 during Period 7 and \$257,670 in Period 9).

Total NOI through February, 2009 amounts to \$1,070,522, which includes losses paid out through the operating account.

Revenue projections for the Conference Center are expected to exceed the FY09 budget - \$1,500,000.

Discussion

When the Conference Center was first opened, there were many issues and operational items to address. Now that the Conference Center is fully operational, does the County need a full-time position to manage Conference Center issues?

Staff Recommendation

- **Ask DED to justify the full-time workyear for the Conference Center program.**
- **Based on the response regarding workyears, approve the Conference Center NDA.**

Office of Legislative Oversight Comments

The Executive's Recommended FY10 Operating Budget for the Conference Center NDA includes \$50K for a management audit of the Conference Center. When this audit is completed, OLO recommends the PHED Committee schedule a meeting with the auditor and Department representatives to discuss the audit's findings and recommendations.

OLO further recommends that the PHED Committee request the Department undertake a review during FY10 of the County's Management Agreement with Marriott International Inc. The purpose of the review would be to determine whether the County should renegotiate any of the provisions in the Management Agreement, based upon the first five years of the Conference Center's operation and findings of the FY10 management audit.

Attachment: Conference Center NDA ©1

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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.

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.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	567,090	1.0
Increase Cost: Management Audit Services	50,000	0.0
Increase Cost: Group Insurance Adjustment	300	0.0
Increase Cost: Printing and Mail Adjustments	10	0.0
FY10 CE Recommended	617,400	1.0

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.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	742,720	0.0
Increase Cost: Anacostia Restoration Fund	650	0.0
FY10 CE Recommended	743,370	0.0

County Associations

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

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	70,450	0.0
Increase Cost: MACo Dues	2,260	0.0
FY10 CE Recommended	72,710	0.0

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.