PHED COMMITTEE #4
April 15, 2009

Worksession

MEMORANDUM

April 13, 2009

TO: Planning, Housing and Economic Development Committee

FROM: Justina J. Ferber, Legislative Analyst

SUBJECT: Worksession - Executive's Recommended FY10 Operating Budget - **Department of Economic Development (DED)**

Those expected for this worksession:

Tina Benjamin, Acting Director, DED
Peter Bang, Chief, Finance, Administration and Special Projects Division, DED
Jeremy Criss, Chief, Agricultural Services, DED
Barbara Kaufmann, Chief, Workforce Services
Jennifer Shovlin, Senior Financial Specialist, DED
John Cuff, Management and Budget Specialist, OMB
Karen Orlansky, Director, Office of Legislative Oversight
Sarah Downie, Research Associate, Office of Legislative Oversight

The Executive's Recommended FY10 Operating Budget for the Department of Economic Development (DED) can be found on pages 60-1 to 60-8 of the budget. A copy is attached at ©1.

Overview

For FY10 the Executive recommends an operating budget of $11,697,370 for the Department of Economic Development (DED); this includes $4,039,860 in grant funding for Workforce Services. The overall DED budget has increased $948,790 or 8.8 % from FY09; however, grant funding is responsible for the increase. Grant funding increased from $2,700,000 in FY09 to $4,039,860 in FY10. The operating budget of DED funded by the General Fund is down 4.9%. Not included in the FY10 budget are $432,000 and 3.0 workyears charged to the CIP for the Agricultural Preservation Program and $133,340 and 1.0 workyear charged to the Economic Development Fund. An organizational chart is attached at ©49.

DED

DED (in $000's)	FY08 Actual	FY09 Approved	FY10 CE Recommended	% Change FY09-FY10
Expenditures:				
General Fund	8,115,693	8,048,580	7,657,510	-4.9%
Grant Fund *	2,618,779	2,700,000	4,039,860*	49.6%
TOTAL Expenditures	**10,734,472**	**10,748,580**	**11,697,370**	**8.8%**
Positions:				
Full-time	53	49	46	-6.1%
Part-time	6	3	3	0%
TOTAL Positions	**59**	**52**	**49**	**-6.1%**
WORKYEARS	**50.8**	**45.6**	**40.8**	**-10.5%**

*$1,339,860 of Grant funding for FY10 is Workforce Investment Act Federal Economic Stimulus funding.

The Executive recommends a net decrease of 4.8 workyears. Total changes in departmental workyears proposed in the budget are 40.8 workyears for FY10 compared to 45.6 workyears in FY09. Lapse for the department is budgeted at $129,729 for 1.25 workyears. A crosswalk of positions is at ©50.

Workyear Changes in DED	Full-time	Part-time	Comments
New positions for FY10	0	0	No new positions for DED
Abolished positions for FY10			
OSC in Workforce Services	-1		
Small Business Outreach position	-1		
Germantown Incubator position	-1		
Grant Funded - Workforce Serv.	-1.2		
Positions Allocated to Other Funds			
Ag Services personnel to Ag Fund	-0.4		
15% of Senior Fin Spec to WIA Grant	0.2		
Increase Lapse	-0.5		
Technical Adjustment	0.1		
Net Change	-4.8	0	

DED Identified Service Impact Adjustments:		
Add Greater Washington Initiative Funding	$	25,000
Eliminate Intellectual Property Center Program	$	(80,000)
Elminate 2 Business Dev.Specialist position	$	(161,240)
(Small Business Outreach and Germantown Incubator)		
NET SERVICE IMPACT ADJUSTMENT TOTAL	**$**	**(216,240)**

DED Identified Same Services Adjustments:		
Service Increment Adjustments	$	53,330
Additional lapse	$	(50,000)
Annualization of FY08 Personnel Costs	$	17,780
Central Duplicating Deficit Recovery Charge	$	(690)
Group Insurance Adjustments	$	4,720
Retirement Adjustment	$	5,660
Motor Pool Rate Adjustments	$	770
Printing and Mail Cost Adjustments	$	1,080
Increase Incubator operating costs	$	134,830
Allocate 0.2 wy of Senior Financial Specialist to Grant	$	(17,340)
Allocate Weed Control & Deer Donation to Ag Fund	$	(40,000)
Allocate 0.4 wy to Ag Fund	$	(69,200)
Decrease cost of Retirement Incentive Program	$	(24,220)
Reduce cost of MTDC and Rockville Incubators	$	(106,290)
Reduce World Trade Center Sponsorship	$	(15,000)
NET SAME SERVICES ADJUSTMENT TOTAL	**$**	**(157,900)**

OLO Report 2009-8

On February 2, 2009, the Council received and released Office of Legislative Oversight Report 2009-8, *The Department of Economic Development: Review of Budget and Strategies.* This report presents an overview of DED's mission, current organization and FY09 budget and describes the major programs and activities of the department. See ©43 for the four-page Executive Summary for Report 2009-8. Councilmembers may wish to bring a copy of the OLO report to the worksession.

The Council adopted the recommendation of the OLO report that requests a companion document to the "Vision for Economic Development" which provides the costs of the recommended action items and places them in priority order. DED has indicated that it will address economic development strategy including the "Vision" document after the new director is on board.

The Council also adopted the recommendation of the OLO report that identified four DED programs for closer scrutiny. Subsequently, the Council transmitted a series of follow-up questions to DED to facilitate the PHED Committee's review of the FY10 Budget. On April 9, DED transmitted a 28-page response. The complete DED response is at ©15 with a summary cover memo prepared by OLO attached at ©9. The Council questions and DED responses are incorporated into the packet as explained below.

Expenditure Issues

Council staff's review of the Department of Economic Development's FY10 budget issues aligns with DED's six program areas, listed below. If the division administers a program the Council identified for closer scrutiny, it is noted in parentheses.

- Marketing and Business Development Division (Marketing and Outreach Activities)
- Business Empowerment Division (Business Innovation Network)
- Division of Workforce Services

- Agricultural Services Division
- Finance, Administration and Special Projects Program Division (Locally Funded Contracts)
- Office of the Director

The budget reviews that follow reproduce the specific list of the Council's follow-up questions, along with cross references to information in the OLO cover memo and DED response.

The Department of Economic Development FY09 budget is analyzed below by division.

Marketing and Business Development Division (MBD)

Marketing and Business Development (MBD)	
FY10 Expenditures $1,652,260	FY10 9.5 Workyears
FY09 Expenditures $1,913,380	FY09 12.0 Workyears
$25,000	Add Greater Washington Initiative funding
-$15,000	Reduce World Trade Center Institute sponsorship
-$271,120; -2.5wy	Miscellaneous adjustments (includes 2 Business Development positions shifted to Director's Office in FY09 and an additional 0.5 lapse)

The Marketing and Business Development program conducts DED's outreach and promotes the assets, advantages and opportunities available within Montgomery County for domestic and international businesses in an effort to increase the number of businesses and organizations created, attracted, retained, and expanded in the county. This program coordinates with the Maryland State Department of Economic Development and the Conference and Visitor's Bureau. The program is described in more detail on page 60-2 (©2) of the budget and on ©53.

Marketing FY10. In response to Council staff request for a description of the proposed FY10 Marketing Plan, DED states that it is currently finalizing its marketing and business development plan for FY10. The details on focus areas, selected means of data gathering, trade show/convention attendance, networking and partnership events, ad placement plan, and associated costs will be finalized in early May 2009.

Marketing FY09. DED provided the following information on the FY09 Marketing Program:

> The department marketed Montgomery County in a variety of coordinated ways during FY09. The Division of Marketing and Business Development took the lead in developing marketing and advertising. A number of printed collateral pieces were developed during the period. A full-color, glossy piece to attract direct foreign investment was created prior to the County's business development mission to China and South Korea in October, 2008. The piece highlights the assets that make the County attractive to international companies. In addition, testimonials from two of the businesses featured in the "I Am Montgomery" advertising and marketing campaign were included.
>
> Another full-color, glossy piece was produced to market the County's Business Innovation Network of incubators. The brochure features photographs of the facilities and highlights features unique to each of the five facilities. Now in its third printing, the brochure is a popular and important tool used by all Incubator staff.

A number of ad placements were made during the fiscal year. These are itemized on ©54. The majority of advertising was done in the locally based Gazette of Business and Politics. A few of the full-page ads that ran in the noted supplements featured some of the larger "I Am Montgomery" companies, but—since the publication is local—many of them were used to reach out to the County's business community regarding the Business Innovation Network, the Micro-Enterprise Loan Program and the 2008 annual workforce awards breakfast.

The department made inroads in FY09 into taking the County's message to a broader audience, nationally and globally. The department was able to get a deeply discounted rate for a half-page ad in Site Selection Magazine, as national publication that targets one of the department's principal audiences. Mid-Atlantic Real Estate Magazine reached out to the department in January, and offered a special rate for a placement in their annual economic development edition. DED received a three-quarter page placement in addition to editorial content that wrapped around the ad.

Finally, Maryland Life Magazine, a full-color lifestyle magazine with a focus on business offered a discounted rate on an ad to be placed in a special edition of the magazine that will be distributed at the 2009 Bio International Convention in Atlanta, Georgia in May. The department is partnering with the Maryland Department of Business and Economic Development to have a presence at the convention, and a DED presence in the magazine, which will be distributed there, will increase the County's visibility to international convention attendees.

Updated information and funding for the following items is detailed beginning at ©55.

AT&T National – Tiger Woods Golf Classic
Biotechnology Annual Event – Atlanta, Georgia
International Trade Missions
BIO/Med Conference, Tel Aviv Israel, June, 2009
World Trade Center Institute
Chinese Biopharmaceutical Association (CBA)
Economic Advisory Council (EAC)
Technology Council of Maryland (TCM)
Biosciences Task Force
Green Initiative Task Force

Greater Washington Initiative. In response to Council staff questions about the Greater Washington Initiative, DED responded as follows:

The Greater Washington Initiative is a regional organization charged with promoting the Greater Washington area as an ideal location for locating or expanding business. The County has been a funding partner in the past, but eliminated funding in FY06 because of budgetary pressures. However, during the current fiscal year, GWI has reached out to the County to develop future strategies to better market the County's assets in bio-science, IT, and nanotechnology. With its new Executive Director Matt Erskine, GWI has been focusing on developing a more focused localized marketing program based on the profiles

of member counties, within the framework of regional marketing. The County Executive was presented by the GWI, and believes that the renewed partnership will benefit the County.

The funding is only a fraction of the $125,000 that the County contributed in the past, but the $25,000 is an appropriate level of support to begin rebuilding the partnership effort. With very limited marketing funds in DED, the $25,000 appropriation will provide access to GWI's important contacts and services to help market the County.

Follow-up OLO Report Questions and DED Responses. The Marketing and Business Development Division administers Marketing and Outreach Activities, one of the programs that the Council's review of OLO Report identified for closer scrutiny. The questions the Council posed to DED are listed below. For DED's responses, see ©36; for the OLO summary memo see ©13.

Council Questions to DED on Marketing and Outreach Activities

1) **Measuring Results.** How does DED define "success" and measure the results from the Department's marketing and outreach activities?

2) **Description of Activities.** Describe in more detail the array of marketing, outreach, and business support services currently provided by DED. In particular,

   - What is the division of DED's marketing and outreach efforts focused on businesses/entrepreneurs currently located in Montgomery County vs. businesses not yet located in the County?
   - Is workforce development a part of the marketing program? If so, is it possible to place an estimated dollar amount on this effort?

3) **Recommendations for changes to improve efficiency or effectiveness.** Does DED have any specific recommendations for improving how the Department conducts marketing and outreach activities?

Council Staff Recommendation

➢ **The Marketing Director position has been vacant for a year and ½ and a portion of the Departmental lapse is in the Marketing Division. Increase lapse for the Marketing Director at $100,000.**

<u>Business Empowerment Division (DBE)</u>

Business Empowerment Program (DBE)	
FY10 Expenditures $1,167,890	FY10 9.0 Workyears
FY09 Expenditures $1,328,540	FY09 11.0 Workyears
-$161,240; -2.0wy	Eliminate Small Business Outreach vacant position and Germantown Incubator position
$590	Miscellaneous adjustments

The Business Empowerment Program provides a variety of programs and services to the County's small and minority business community. This program manages the business incubator program and small and minority business services programs. The program is described in more detail on page 60-3 (©3) of the budget.

Incubator Program. The Montgomery County Business Innovation Network is a program operated by the Department of Economic Development. The mission of the program is to create a positive economic impact to the County by supporting the growth and development of local businesses. These small businesses are located in the incubator facilities for a short period of time with support on business training, access to resources and concentrated networking.

Currently, the incubator network includes five facilities (Shady Grove Innovation Center (f/k/a Maryland Technology Development Center), Silver Spring Innovation Center; Wheaton Business Innovation Center; Rockville Innovation Center and Germantown Innovation Center. The Network also hosts a Virtual Incubator Program that is primarily used for companies waiting for space to become available by recent graduates from the Network. Occupancy within the incubator facilities ranges from 65% and 110%. Each facility is staffed with a Tenant Service Coordinator (TSC) who manages the reception desk, schedules conference rooms, greets guests and makes sure the facility runs well on a daily basis. Within the next two to three years, the County is planning to open an additional incubator in the East County Science & Technology Park. Tables with an overview of incubator costs and revenues are at ©47-48.

Incubator Study. DED advised that a contracted study of the incubator program has been delayed due to budget constraints, and the department is reevaluating the scope and funding for the study which may move forward in FY10.

Follow-up OLO Report Questions and DED Responses. The Business Empowerment Division administers the Business Innovation Network, one of the programs that the Council's review of OLO Report identified for closer scrutiny. The questions the Council posed to DED are listed below. For DED's responses, see ©23; for the OLO summary memo see ©11.

Council Questions to DED on Business Innovation Network

1) **Measuring Results.** DED's headline measures use the number of jobs created by incubator tenants and several other outcomes to measure the success of the incubator program. What do the data collected to date suggest about the strengths and weaknesses of the County's incubators? In addition:

   - What did DED learn from the recent survey of incubator network tenants?
   - What is the success/failure rate of graduate businesses?

2) **Selection Process.** What is DED's process for selecting businesses to participate in each of the incubators, to include:

   - How does DED decide the type of business (e.g., professional services, biotech) and mix of locally/internationally-based firms to target for each incubator?

- What are the main criteria used to decide whether a business is accepted into the program and how are the terms of the arrangement determined? What are the criteria for entrance into the virtual incubator program (to receive only support services)?

3) **Incubator Finances**: How does DED determine the level of county funding for the incubator program each year? And related to this:

   - How is the rent for each tenant determined? How are annual rent increases calculated? Do participants pay to be part of the virtual incubator program?
   - Does the County always absorb unanticipated cost increases, (e.g., increases in utility costs)?
   - What are the projected costs of the Business Innovation Network program for the next three fiscal years, FY10-FY12?

4) **Recommendations for changes to improve efficiency or effectiveness.** Does DED have any specific recommendations for changes to the Business Innovation Network to improve the efficiency or effectiveness of the program?

Staff Recommendation

➢ **The cost of running the incubators increases each year and consideration should be given to closing the least productive incubator(s). As an alternative, the PHED Committee should request DED return to the Committee in the fall with a plan outlining options for reducing or stabilizing incubator costs.**

Division of Workforce Services (DWS)

Workforce Services (DWS)	
FY10 Expenditures $5,088,170	FY10 4.0 Workyears
FY09 Expenditures $3,820,080	FY09 6.0 Workyears
$1,169,860	Add Workforce Investment Act (WIA) Federal Economic Stimulus Funds
$170,000	Summer Youth Employment Program funded with Stimulus funds
-$17,340;-0.2 wy	Shift 15% of Workforce Services Senior Financial Specialist to Administrative Grant under WIA
-$70,260; -1.0 wy	Abolish Office Services Coordinator vacant position
-$18,850' -1.2wy	Miscellaneous Adjustments (Eliminate one grant-funded position)

The Workforce Services (DWS) division administers the funding tied to the Federal Workforce Investment Act of 1998 and oversees the performance of the local workforce investment system. This includes the administration of all federal workforce and job training funds and the oversight of two one-stop career centers. DWS is advised by a Workforce Investment Board (WIB) composed of business representatives and community leaders and public officials. The program is described in more detail on page 60-3 (©3) of the budget and on ©60.

DWS funds support employment services offered at the two MontgomeryWorks One-Stop locations. Services offered at these locations include vocational assessment, job readiness, job training, job placement and job retention services. The One-Stops serve dislocated workers, low-income adults, older workers, disadvantaged youth, and individuals with disabilities, as well as small and large businesses. There are two locations - Westfield Mall (Wheaton Plaza South) and Lakeforest Mall (Gaithersburg).

Stimulus Funds. DED advises the economic stimulus funds are to be received one-time in the amount of $1,301,993 in budget year FY09. A supplemental appropriation request will be submitted to the Council as soon as possible to encumber the funds for FY09. An amendment to the FY10 budget will be included in the supplemental appropriation request which will reduce grant funding in FY10 by the budgeted stimulus amount ($1,339,860).

The County has until June 30, 2011, to expend the funds, but DED's expectation is that stimulus funds will be used quickly. A major project will be to provide summer work experiences to youth, ages 14-24. (The economic stimulus legislation increased the age of youth from 21 to 24). Funds for adults and dislocated workers will be used to expand training and other services provided at the County's One-Stop Career Centers.

Workforce Development Funding Sources for FY10

FEDERAL WORKFORCE INVESTMENT ACT FUNDS (ESTIMATED)	$1,526,300
EARLY INTERVENTION (STATE/FEDERAL)(ESTIMATED)	151,400
MARYLAND BUSINESS WORKS (FEDERAL)	47,000
DISABILITY NAVIGATOR (FEDERAL) (ESTIMATED)	156,860
RAPID RESPONSE (FEDERAL) (ESTIMATED)	5,000
MD SUMMER YOUTH (STATE/FEDERAL) (ESTIMATED)	9,518
TOTAL	$1,896,078
MONTGOMERY COUNTY FUNDING	
GENERAL ONE-STOP ACTIVITIES	122,000
ONE-STOP FACILITIES	122,100
SALES & SERVICE CENTER	160,000
COUNTY GANG PREVENTION CONTRACTED POSITION	62,500
YOUTH PROGRAM	50,000
SUMMER YOUTH EMPLOYMENT	50,000
TOTAL	$566,600

Workforce Services programs and accomplishments for FY09 and proposed program for FY10 are detailed on ©60 and ©61.

Staff Comments

- **Stimulus funds included in the FY10 Workforce Services budget will be resubmitted as supplemental funding for FY09. Once the supplemental appropriation is received, the FY10 Workforce Services grant budget should be reduced accordingly. The Council should approve the budget with the understanding the FY10 budget for Workforce Services will be amended if the stimulus funds are encumbered in fiscal year 2009.**

Agricultural Services Division

Agricultural Services	
FY10 Expenditures $863,020	FY10 6.8 Workyears
FY09 Expenditures $1,003,670	FY 09 7.2 Workyears
-$10,000	Shift cost of Weed Control to Ag Land preservation easements Fund in the CIP
-$30,000	Shift cost of Deer Donation and Ag Initiatives to Ag Land preservation easements Fund in the CIP
-$69,200; -0.4 wy	Shift personnel costs to Ag Land preservation easements Fund in the CIP
-$18,850; -1.2wy $-24,000	Miscellaneous Adjustments Retirement Incentive Program savings

Agricultural Services promotes the preservation of farmland and the promotion of agriculture as a viable component of the County business and economic sector. The Soil Conservation Service and the Cooperative Extension Service are included in this program. For FY10 $432,000 and 3.0 workyears are charged to the CIP. The program is described in more detail on page 60-3 (©3) and on ©61-62 and ©67-70.

Shift of funds to CIP. The budget proposes to shift funding to the Ag Land Preservation Easement CIP for the Weed Control program ($10,000), the Deer Donation program ($30,000), and 0.4 wy of the Ag Director ($69,200). In addition, funding for the Cooperative Extension Partnership ($31,000) will be added to the CIP. This will total 3.0 workyears and $432,000 charged to the CIP. In FY09 $294,943 and 2.6 workyears were charged to the CIP.

DED was asked to explain the shifting of costs to the Ag Easement CIP, especially the legal justification for charging the fund for the Weed Control and Deer Donation programs. DED's explanation follow:

> The Agricultural Services Division portion of the DED operating budget is 12.6 % of the total and it is appropriate for the Ag Services Division to contribute to the County Executive's 10 % savings mandate for the FY 2010. With these percentages in mind, the County Executive proposes the shift of certain agricultural programs from the operating budget to the Ag Easement CIP. The state law requires that Agricultural Transfer Taxes be used by Counties to purchase agricultural easements and that only 10 percent of the annual fund balance can be used for administrative expenses for the program. In the early 1990's Montgomery County began to exceed the 10 percent threshold and this outcome contributed to a change in County Policy. Prior to 1994, the investment income from the Agricultural Transfer Tax went to the County General fund and was used for all county government expenses. Starting in 1994 the investment

income was applied back to the CIP project with the Agricultural Transfer Taxes. The investment income for the project has been used over the years for easement purchases, 1997 drought assistance, and administrative expenses addressed through the MOU between DED and OMB. DED is currently working on a new MOU between OMB and the department that will change the policy and expand the use of investment income beyond the administrative costs and help us to maintain the level of service for agricultural programs while reducing the impact on the general fund. There are no legal constraints with the use of investment income for agricultural initiatives.

Ag Services is comfortable with including Deer Management and Weed Control because both of these programs fit in with the objectives to support agricultural initiatives within the County. Additionally, the alternative that the department is facing was the possible elimination of the programs all together or agricultural services staff, and the decision to shift the program provides the department with the opportunity to continue these important and required and contractual services without impacting the general fund. Again, prior to 1994, the investment income of amount of $7.7 million funded everything from County roads to County schools so there should be no question as to the specific use of the investment income, which will be directly tied to agricultural initiatives. Additional information is attached to the packet at ©67.

Deer Donation. DED provided the following status report on the Deer Donation Program.

The Deer Donation Program encourages an increased, productive deer harvest by giving farmers and hunters a convenient place to drop off deer taken above and beyond what can be stored for personal use. The program was developed in response to farmer and hunter input that articulated the need for a deer donation or processing location within the County along with public safety concerns related to the growing number of deer in the County due to the off balance ratio of predator to prey. As of 2009, cars and trucks are the largest threat to deer in Montgomery County. The deer population has been able to proliferate at a very rapid rate with the availability of food sources even during the winter months when food resources are normally scarce and the natural habitats for predators has eroded with increased development.

The program is entering its fifth year of operation, and continues to grow successfully as more farmers and hunter opt to hunt and donate more deer, thus providing a valuable service to local food banks, which are experiencing decreased levels of donations because of the economy. As of February, 2009, the number of deer donated to the program is 150, which equates to approximately 6,000 pounds of donated deer meat to food banks.

Deer Donation Program - Deer Collected and Pounds of Venison Donated		
2004-2005 Season	39 deer	1,560 pounds
2005-2006 Season	51 deer	2,040 pounds
2006-2007 Season	85 deer	3,400 pounds
2007-2008 Season (through January 7, 2008)	197 deer	7,880 pounds
2008-2009 Season (through February 4, 2009)	150 deer	6,000 pounds

Staff Comments

- **Council staff does not agree with the shifting of *operating* funds for the weed control and deer donation programs to the CIP. Shifting an additional 0.4 workyear for the Ag Director to the CIP will result in full funding of the Director's position from the CIP. The original rationale for shifting 2.0 Ag program workyears and 0.6 workyear for Director to the CIP was that these positions allocated that amount of time to agriculture preservation issues. It is difficult to rationalize that the Director spends 100% of his time on preservation issues.**

Finance, Administration and Special Projects Program

Finance, Administration, and Special Projects	
FY10 Expenditures $2,228,710	FY10 7.0 Workyears
FY 09 Expenditures $2,233,110	FY09 7.0 Workyears
$134,830	Increase in operating costs for Business Incubator Program
-$106,290	Decrease operating subsidy for MTDC and Rockville incubators
$1,080	Printing and mailing adjustments
$770	Motor Pool adjustment
-$690	Central Duplicating Deficit Recovery Charge
-$80,000	Eliminate Intellectual Property Center Program
$45,900	Miscellaneous Adjustments

The Finance, Administration, and Special Projects division provides all departmental administrative efforts and provides direct services for fiscal and contract management, strategic planning and special projects. It administers the five financing programs under the Economic Development Fund. The program oversees the management of the Shady Grove Life Sciences Center and planning for the new science and technology centers in Germantown and the East County. The program is described in more detail on page 60-4 (©4) and tables with an overview of incubator costs and revenues are at ©47-48.

Council staff asked DED to explain the cost decrease of $106,290 for MTDC and Rockville and the operating cost increase of $134,830 for the incubator program. DED's explanation:

> The department had requested as part of the FFI process additional funding support for the incubators to cover increased rent costs and operating expenses. The County Executive recommended increasing the Wheaton Innovation Center budget by $34,830 to cover increased rent costs at the facility per the terms of the lease with Westfield. In addition, the County Executive recommended an additional $50,000 each for the Rockville Innovation Center and the Germantown Innovation Center to offset the increase in operating costs. The increased appropriation will cover the increased operating costs.
>
> The $106,290 reduction in the incubator results from DED displacing two out of five tenant services coordinators (Contractor positions) that provide front desk and administrative support to the Incubator tenants and County program staff at each of the five facilities. Currently, these contract positions, hired through the management

company, were paid from the revenues of the respective incubator. Instead of displacing DED administrative staff to meet the required FY10 savings plan, DED recommended eliminating two contract positions while holding back corresponding budget savings from the incubator grants. DED will transfer two existing office services coordinators to fill the void.

Follow-up OLO Report Questions and DED Responses. The Finance, Administration, and Special Projects Division administers locally funded contracts, one of the programs that the Council's review of OLO Report identified for closer scrutiny. The questions the Council posed to DED are listed below. For DED's responses, see ©37; for the OLO summary memo see ©14.

Council Questions to DED on Locally-Funded Contracts

The following locally-funded contracts are managed by DED: Conference and Visitor's Bureau, Latino Economic Development Corp, Alliance for Workplace Excellence, Small Business Development Center, CoStar Realty Information, Inc., Technology Council of Maryland, MD/Israel Development Center, World Trade Center Institute, and Montgomery County Weed Control. While the Division of Workforce Services also manages three contracts funded by County revenue, they have been excluded from the list because a large portion of each contract is funded by state and federal grants and many of the services provided are mandated by federal law.

For each of the contracts:

1) **Measuring Results.** How does DED define "success" and measure the results from each of these contracts?

2) **Selection**. How are the contract recipients selected and what justifies the contracts being awarded non-competitively?

3) **Recommendations for changes to improve efficiency or effectiveness.** Does DED have any specific recommendations for changes to how these contract dollars are spent?

Staff Comments

- **Ask DED to explore ways to reduce the number and costs of contracts.**
- **Request an update on the East County Center for the Science and Technology project.**
- **Reduce departmental operating expenses by $29,000 which is an additional 1% reduction from FY09 for a total operating expenditure reduction in FY10 of 3.7%.**

<u>Office of the Director Program</u>

Office of the Director		
FY10 Expenditures $697,320		FY10 4.5 Workyears
FY09 Expenditures $449,800		FY09 2.4 Workyears
$247,520	Miscellaneous Adjustments	

The Office of the Director provides overall direction and supervision for the Department of Economic Development. The program is described on pages 60-4 and 60-5 (©4-5).

DED was asked to explain the large amount of miscellaneous adjustments at $247,520 within the Office of the Director. DED explained the following:

> This adjustment reflects the transfer of two positions from the Marketing and Business Development Division to the Director's Office. The transfer included two positions that are responsible for the department's overall public information and communications outreach with the public, other County agencies, and the County Council. Previously, the function of these two positions was contained in Marketing and Business Development; however, the department shifted the positions to ensure that public information was provided centrally through the Director's Office, and in close coordination with the County's Public Information Office.

Staff Comments

- **What is the status of the Multi-Use Arena project?**
- **What is the status of the Live Nation project?**

DED Budget Packet Attachments -

DED Operating Budget ©1
OLO Summary of DED's Responses to Council Questions, April 13, 2009 ©9
DED Responses to Council Questions related to OLO Report, April 3, 2009 ©15
OLO Report 2009-8 Summary Pages ©43
Incubator Network Overview/Costs/Revenues ©47
DED Organizational Chart ©49
Crosswalk of DED positions FY09 to FY10 ©50
DED Response to Council Staff Budget Questions ©53

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Economic Development

MISSION STATEMENT

The mission of the Department of Economic Development (DED) is to create, attract, retain and expand businesses in Montgomery County, expand employment opportunities for the residents of the County, enlarge the County's economic base, enhance the competitiveness of the businesses located in the County and promote Montgomery County as a SmartLocation for business - globally.

BUDGET OVERVIEW

The total recommended FY10 Operating Budget for the Department of Economic Development is $11,697,370, an increase of $948,790 or 8.8 percent from the FY09 Approved Budget of $10,748,580. Personnel Costs comprise 40.9 percent of the budget for 46 full-time positions and three part-time positions for 40.8 workyears. Operating Expenses account for the remaining 59.1 percent of the FY10 budget.

FY08 actuals in the budget summary include costs associated with the Local Small Business Reserve Program which was shifted, beginning in FY09 to the Department of General Services. FY09 budget, FY09 estimate, and FY10 budget figures reflect the new organizational structure.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ***A Responsive, Accountable County Government***
- ***Healthy and Sustainable Neighborhoods***
- ***Strong and Vibrant Economy***
- ***Vital Living for All of Our Residents***

DEPARTMENT PERFORMANCE MEASURES

This table presents the department's headline measures or submeasures that relate to multiple programs including projections from FY09 through FY11. These estimates reflect funding based on the FY09 savings plan, the FY10 budget, and funding for comparable service levels in FY11.

Measure	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Headline Measures					
Jobs created by existing business expansion through DED involvement[1]	822	378	380	400	600
Jobs created by new business attraction through DED involvement	1,000	800	1,200	700	1,000
Total new capital investment by newly attracted and started businesses through DED involvement (in millions)	19	8	25	20	35
Percent of prospects in DED's active pipeline that are successfully closed	51%	38%	45%	41%	41%
Total new capital investment by businesses currently located in the County through DED involvement (in millions)	75	110	35	45	55
Number of new jobs created by incubator companies during the incubation period[2]	77	121	125	85	100
New commercial space occupied by newly attracted and started businesses through DED involvement (sq. feet)	89,919	190,987	87,300	107,670	122,220
New commercial space occupied by businesses currently located in the County through DED involvement (sq. feet)	896,318	890,094	414,200	490,500	654,000
Number of new jobs created by incubator companies post graduation	54	52	46	63	73
Number of intellectual property issued to and amount of Federal research grant and private equity financing received by incubator companies	65	57	65	58	59

[1] For Program Measures 1 through 5: FY10 numbers reflect the loss of two Business Development Specialists and market conditions, as well as expanded capacity at the Germantown Incubator, which will create more jobs.

[2] FY10 numbers reflect the loss of two Business Development Specialists and market conditions, as well as expanded capacity at the Germantown Incubator, which will create more jobs.

1

ACCOMPLISHMENTS AND INITIATIVES

- ***The Germantown Incubator opened in October 2008 and is the fifth facility in the Incubator Network. This Incubator will add 25-30 new high-tech companies every 2-3 year cycle to the County's economic base.***

- ***The Department is in the process of finalizing a new strategic plan to be deployed towards the end of FY09, and continues to work with the business community to identify strategies to mitigate the impact of the current economic downturn.***

- ***The Department created a 10 Point Green Tech Plan with the Sustainable Design Group that will identify ways the County and businesses can implement green technology into business practices.***

- ***The Department implemented a Bio-Sciences Task Force that is charged with focusing efforts on creating a strategic approach to attracting and retaining bio-sciences firms in the County. Through this Task Force, the Department will develop partners that can share the load of developing new initiatives, programs, and marketing the County in biotech communities globally.***

- ***Productivity Improvements***

  - ***The new Salesforce Database will be fully implemented by the end of FY09, and will increase reporting accuracy for all data collected by the Department and create greater synergy with client based services.***

PROGRAM CONTACTS

Contact Peter Bang of the Department of Economic Development at 240.777.2008 or Alison Dollar of the Office of Management and Budget at 240.777.2781 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Marketing and Business Development

This program promotes the assets, advantages, and opportunities available within Montgomery County for domestic and international businesses. The division provides services that result in the attraction and retention of those businesses to the County. This includ industry sectors including telecommunications, biotechnology, information technology, advanced engineering, and profession services. Major focus of the program includes leads generated by the Department's business development specialists, and a business visitation program to retain existing businesses. Business specialists meet with company representatives during business visits, conferences, and other events to offer assistance. They also serve as liaisons to business organizations to help identify and assist new and expanding companies. Assistance includes needs assessment, financial and training assistance, site identification, and expediting and coordinating development. The program provides clients with land-use planning expertise, economic analysis, financing and international trade assistance.

Promotional activities include media relations; event coordination; local, regional, national, and international advertising; and development of informational and sales materials including the Department's website. These efforts help to position the County in a highly competitive environment, and they set the stage for direct contact.

Activities and materials are directed toward achieving balanced economic growth with a positive business climate and are often closely coordinated with local, regional, and State partners, such as the Maryland State Department of Business and Economic Development and the World Trade Center Institute.

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Jobs created by existing business expansion through DED involvement[1]	822	378	380	400	600
Jobs created by new business attraction through DED involvement	1,000	800	1,200	700	1,000
Total new capital investment by newly attracted and started businesses through DED involvement (in millions)	19	8	25	20	35
Percent of prospects in DED's active pipeline that are successfully closed	51%	38%	45%	41%	41%
Total new capital investment by businesses currently located in the County through DED involvement (in millions)	75	110	35	45	55
New commercial space occupied by newly attracted and started businesses through DED involvement (sq. feet)	89,919	190,987	87,300	107,670	122,220
New commercial space occupied by businesses currently located in the County through DED involvement (sq. feet)	896,318	890,094	414,200	490,500	654,0(
Total new prospects developed	100	132	120	110	110
Total jobs created by DED[2]	1,050	686	680	820	1,020

[1] For Program Measures 1 through 5: FY10 numbers reflect the loss of two Business Development Specialists and market conditions, as well as expanded capacity at the Germantown Incubator, which will create more jobs.

2

[2] FY10 numbers reflect the loss of two Business Development Specialists and market conditions, as well as expanded capacity at the Germantown Incubator, which will create more jobs.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**1,913,380**	**12.0**
Add: Greater Washington Initiative Funding	25,000	0.0
Decrease Cost: Reduce World Trade Center Institute (WTCI) Sponsorship and Some Activities	-15,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-271,120	-2.5
FY10 CE Recommended	**1,652,260**	**9.5**

Notes: Two Business Development Specialists were transferred from Marketing and Business Development to the Director's Office in FY09.

Business Empowerment

The Division of Business Empowerment provides a variety of programs and services to the County's small and minority business community, including technical publications and services, workshops and conferences, the business mentorship program, and events targeted to areas such as procurement and contracting. This program serves as the resource base for small businesses within Montgomery County through advocacy efforts that involve active short-and long-range economic development strategies that address the unique needs of the small business community.

Also, this program manages the business incubator program and small and minority business services program. The County's Business Incubator Network currently has five facilities in operation. These incubators, housed in over 100,000 square feet of space, provide office space and lab facilities, high-level technical assistance, and innovative programming to over 90 budding entrepreneurial businesses. The Germantown Incubator opened in October 2008 and the Department is currently seeking a developer for Site II, which will house the East County Center for Science and Technology in the next few years. The program also operates a virtual incubator that provides programs and services to participating businesses, without the added expense of renting office space.

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Number of new jobs created by incubator companies during the incubation period[1]	77	121	125	85	100
Number of new jobs created by incubator companies post graduation	54	52	46	63	73
Number of intellectual property issued to and amount of Federal research grant and private equity financing received by incubator companies	65	57	65	58	59
Number of businesses participated in DED's technical assistance programs	500	550	690	710	710

[1] FY10 numbers reflect the loss of two Business Development Specialists and market conditions, as well as expanded capacity at the Germantown Incubator, which will create more jobs.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**1,328,540**	**11.0**
Eliminate: Vacant Small Business Outreach and Germantown Incubator Positions	-161,240	-2.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	590	0.0
FY10 CE Recommended	**1,167,890**	**9.0**

Workforce Services

The Workforce Services (WS) program ensures that Montgomery County has a well-prepared, educated, trained, and adaptable workforce to meet the current and future needs of business, and that the County's workforce has the tools and resources to successfully compete in a global economy.

The Workforce Investment Board (WIB) provides advice and oversight on workforce development activities and policy. The 30-member WIB is composed of business representatives (51%), community leaders, and public officials. The Board is appointed by the County Executive in accordance with the Workforce Investment Act (WIA) of 1998 and Montgomery County Executive Order No. 159-02. The WIB does much of its work through its committees, which include the Board Development, Communications and Outreach, Executive, Finance, Program Operations and Oversight, and Youth Council committees. WS staff provide support to the Board by implementing directives and policy initiatives.

VS is funded by $3 million in Federal Government, State of Maryland, and Montgomery County funds. The majority of funding received is through WIA to implement the One-Stop career system. This system is operated locally as MontgomeryWorks, and provides an array of vocational assessment, job readiness and job training, and job placement services to dislocated workers, low-income adults, older workers, disadvantaged workers, and youth. The WIB provides policy oversight and guidance for the expenditure of these funds, which enables local businesses and the public and private sectors to work collaboratively in meeting the

workforce development needs of Montgomery County. WS consists of a manager, two program managers, a fiscal specialist, and an administrative support position that provide overall administrative support of the WIA grants, and are responsible for fiscal monitoring and accounting, program monitoring and review, new program development and grants, legislative development, and contract management of several service providers for the WIA and County programs.

Services are provided at the MontgomeryWorks One-Stop Workforce Centers in Wheaton and Gaithersburg, and are operated as a consortium with the Department of Licensing, Labor, and Regulation, the Career Transition Center, Inc., Maryland Job Service, and other non-profit and local agency partners. MontgomeryWorks served over 11,000 adult and youth residents in FY08 with core services, intensive counseling services, and occupational skills training. MontgomeryWorks also serves businesses. Youth services are provided through the Maryland Multicultural Center, which is operated by LAYC and by TransCen.

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Number of employers assisted with training[1]	27	40	40	40	40
Number of employers assisted with recruitment	127	110	120	120	120
Number of DED job related placement for unemployed adults-dislocated, older, and disadvantaged workers	11,287	15,797	13,775	12,650	12,650

[1] For Program Measures 1 through 3: Numbers for FY10 and FY11 do not reflect the Federal Workforce Stimulus funding as these numbers are not yet available.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**3,820,080**	**6.0**
Enhance: Workforce Investment Act funded wth Federal Economic Stimulus Grant Funds	1,169,860	0.0
Enhance: Summer Youth Employment Program funded with Federal Stimulus Youth Workforce Grant Funds (programmatic use dependent upon regulatory guidelines yet to be established by U.S. DOL and MD DLLR)	170,000	0.0
Shift: Allocate 15% of Workforce Services Senior Financial Specialist to Administrative Grant under WIA	17,340	0.2
Decrease Cost: Abolish Office Services Coordinator Position	-70,260	-1.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-18,850	-1.2
FY10 CE Recommended	**5,088,170**	**4.0**

Agricultural Services

This program encompasses the promotion of agriculture as a viable component of the County's business and economic sector, as well as the preservation of farmland as a resource for future agricultural production capabilities. The Department of Economic Development co-sponsors farmers' markets, an annual farm tour, and other activities which promote agricultural products. The goal of the Agricultural Preservation Program is to acquire easements to protect 70,000 acres of farmland in the Agricultural Reserve by the year 2010. Agricultural Services also provides farmers with zoning and master plan technical assistance and coordinates the County's Weed Control program.

The Montgomery Soil Conservation District (MSCD) is considered a political subdivision of the State and is staffed by County, State, and Federal employees. Programs offered by MSCD include an array of technical advice for conservation and natural resource planning, as well as a variety of educational opportunities. MSCD staff assist farmers and landowners in the County with Soil Conservation and Water Quality Plans, provide technical assistance for conservation practices, and administer a variety of Federal and State cost-share programs which help fund projects to prevent soil erosion and improve water quality. Many of these programs are designed to help protect local waterways and the Chesapeake Bay. The MSCD provides a number of programs that focus on educating Montgomery County residents about the benefits of agriculture, conservation, and natural resources management. Other services include small pond review, drainage advice for residential landowners, and administering the Cover Crop program in the County.

The Cooperative Extension Office serves as the agricultural outreach education component of the University of Maryland. This agency is funded cooperatively through local, State, and Federal governments. Farmers, families, and youth are the primary audiences of the Extension Office. Educational programs for farmers include raising crops and livestock, protecting the environment, farm and business management, marketing commodities, and pest management. Programs for families and youth include: home horticulture, family budgeting, consumer education with a focus on promoting positive parenting skills and healthful diets and lifestyles, leadership development, and traditional 4-H programs. The Extension Office's professional staff utilizes an extensive network of volunteers to assist them in program delivery. Extension Office personnel manage a diverse group of over 3,000 volunteers to respond to over 100,000 information requests a year. Outreach education programs are delivered informally through one-on-one contacts, telephone assistance, the internet, classes and workshops, field days, radio, TV, and print media.

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Cumulative farm acres protected	68,751	70,092	70,832	71,332	71,832

	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Number of farm businesses assisted	125	175	94	140	160

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**1,003,670**	**7.2**
Shift: Costs for Weed Control to Ag Land Preservation Easements CIP #788911	-10,000	0.0
Decrease Cost: Retirement Incentive Program (RIP) Savings	-24,220	0.0
Shift: Deer Donation and Ag Initiatives to Ag Land Preservation Easements CIP #788911	-30,000	0.0
Shift: Personnel Costs for Agricultural Services to Ag Land Preservation Easements CIP #788911	-69,200	-0.4
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-7,230	0.0
FY10 CE Recommended	**863,020**	**6.8**

Finance, Administration, and Special Projects

This program is responsible for all departmental administrative efforts, which enable direct services for fiscal and contract management, strategic planning, and special projects. This program administers five financing programs under the Economic Development Fund: the Economic Development Grant and Loan program, the Technology Growth program, the Impact Assistance Fund, the Micro-Loan Program, and the Small Business Revolving Loan program.

This program also works in concert with Marketing and Business Development and Business Empowerment to promote the development of high technology and professional services companies within Montgomery County. In addition, the program oversees the development and management of the Shady Grove Life Sciences Center and planning for several new science and technology centers in Germantown at the Montgomery College campus and East County in the White Oak area.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**2,233,110**	**7.0**
Increase Cost: Business Incubator Program - To Sustain Increased Operating Costs	134,830	0.0
Increase Cost: Printing and Mail Adjustments	1,080	0.0
Increase Cost: Motor Pool Rate Adjustment	770	0.0
Decrease Cost: Central Duplicating Deficit Recovery Charge	-690	0.0
Eliminate: Intellectual Property Center Program	-80,000	0.0
Decrease Cost: Cost to Incubators – Reduce Operating Subsidy for MTDC and Rockville Incubators	-106,290	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	45,900	0.0
FY10 CE Recommended	**2,228,710**	**7.0**

Office of the Director

The Department of Economic Development is organized to promote team-based approaches to implementing economic development initiatives. This program provides overall direction and supervision for all programs, policies, and representation of the Department. The Office of the Director functions as a liaison to local, State, Federal, and international governments; the community; small and minority owned businesses; and private industry partners, and serves as the leader in developing and implementing economic development opportunities for Montgomery County.

The major focus of the program is to establish and maintain high-level relationships with local government and private industry organizations, State and Federal agencies, and national and international governments and organizations. These important contacts are sought through meetings, trade shows and conferences, national and international missions, and other major events that provide exposure and opportunities to market and promote the County's economic vision.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**449,800**	**2.4**
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	247,520	2.1
FY10 CE Recommended	**697,320**	**4.5**

Notes: Two Business Development Specialists were transferred from Marketing and Business Development to the Director's Office in FY09.

5

BUDGET SUMMARY

	Actual FY08	Budget FY09	Estimated FY09	Recommended FY10	% Chg Bud/Re
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	3,448,332	3,916,980	3,664,780	3,693,300	-5.7%
Employee Benefits	980,280	1,161,010	973,120	1,073,920	-7.5%
County General Fund Personnel Costs	***4,428,612***	***5,077,990***	***4,637,900***	***4,767,220***	***-6.1%***
Operating Expenses	3,687,081	2,970,590	3,205,810	2,890,290	-2.7%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	***8,115,693***	***8,048,580***	***7,843,710***	***7,657,510***	***-4.9%***
PERSONNEL					
Full-Time	52	48	48	46	-4.2%
Part-Time	5	3	3	3	—
Workyears	49.0	44.6	44.6	40.6	-9.0%
REVENUES					
State Salary Reimb: Soil Cons District Mgr	76,254	48,710	48,710	48,710	—
County General Fund Revenues	***76,254***	***48,710***	***48,710***	***48,710***	—
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	0	57,470	0	13,060	-77.3%
Employee Benefits	0	18,320	0	4,280	-76.6%
Grant Fund MCG Personnel Costs	***0***	***75,790***	***0***	***17,340***	***-77.1%***
Operating Expenses	2,618,779	2,624,210	2,700,000	4,022,520	53.3%
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	***2,618,779***	***2,700,000***	***2,700,000***	***4,039,860***	***49.6%***
PERSONNEL					
Full-Time	1	1	1	0	—
Part-Time	1	0	0	0	—
Workyears	1.8	1.0	1.0	0.2	-80.0%
REVENUES					
Workforce Investment Act/Federal Economic Stimulus	0	0	0	1,339,860	
Workforce Investment Act Grants	1,971,793	2,700,000	2,700,000	2,700,000	
Disability Grant:Workforce Invest Serv	29,864	0	0	0	—
Disability Program Navigator	178,846	0	0	0	—
MD Incumbent Worker	192,625	0	0	0	—
Statewide 50% Training	722	0	0	0	—
MD Youth Demo	-2,163	0	0	0	—
MD Neg Brac	100,000	0	0	0	—
MD Works Re-Entry	137,596	0	0	0	—
MD Summer Youth Connection	9,496	0	0	0	—
Grant Fund MCG Revenues	***2,618,779***	***2,700,000***	***2,700,000***	***4,039,860***	***49.6%***
DEPARTMENT TOTALS					
Total Expenditures	**10,734,472**	**10,748,580**	**10,543,710**	**11,697,370**	**8.8%**
Total Full-Time Positions	**53**	**49**	**49**	**46**	**-6.1%**
Total Part-Time Positions	**6**	**3**	**3**	**3**	—
Total Workyears	***50.8***	***45.6***	***45.6***	***40.8***	***-10.5%***
Total Revenues	***2,695,033***	***2,748,710***	***2,748,710***	***4,088,570***	***48.7%***

6

FY10 RECOMMENDED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY09 ORIGINAL APPROPRIATION	**8,048,580**	**44.6**
Changes (with service impacts)		
Add: Greater Washington Initiative Funding [Marketing and Business Development]	25,000	0.0
Eliminate: Intellectual Property Center Program [Finance, Administration, and Special Projects]	-80,000	0.0
Eliminate: Vacant Small Business Outreach and Germantown Incubator Positions [Business Empowerment]	-161,240	-2.0
Other Adjustments (with no service impacts)		
Increase Cost: Business Incubator Program - To Sustain Increased Operating Costs [Finance, Administration, and Special Projects]	134,830	0.0
Increase Cost: Service Increment	53,330	0.0
Increase Cost: Annualization of FY09 Personnel Costs	17,780	0.1
Increase Cost: Retirement Adjustment	5,660	0.0
Increase Cost: Group Insurance Adjustment	4,720	0.0
Increase Cost: Printing and Mail Adjustments [Finance, Administration, and Special Projects]	1,080	0.0
Increase Cost: Motor Pool Rate Adjustment [Finance, Administration, and Special Projects]	770	0.0
Decrease Cost: Central Duplicating Deficit Recovery Charge [Finance, Administration, and Special Projects]	-690	0.0
Shift: Costs for Weed Control to Ag Land Preservation Easements CIP #788911 [Agricultural Services]	-10,000	0.0
Decrease Cost: Reduce World Trade Center Institute (WTCI) Sponsorship and Some Activities [Marketing and Business Development]	-15,000	0.0
Shift: Allocate 15% of Workforce Services Senior Financial Specialist to Administrative Grant under Workforce Investment Act (WIA)	-17,340	-0.2
Decrease Cost: Retirement Incentive Program (RIP) Savings [Agricultural Services]	-24,220	0.0
Shift: Deer Donation and Ag Initiatives to Ag Land Preservation Easements CIP #788911 [Agricultural Services]	-30,000	0.0
Decrease Cost: Lapse	-50,000	-0.5
Shift: Personnel Costs for Agricultural Services to Ag Land Preservation Easements CIP #788911 [Agricultural Services]	-69,200	-0.4
Decrease Cost: Abolish Office Services Coordinator Position [Workforce Services]	-70,260	-1.0
Decrease Cost: Cost to Incubators – Reduce Operating Subsidy for MTDC and Rockville Incubators [Finance, Administration, and Special Projects]	-106,290	0.0
FY10 RECOMMENDED:	**7,657,510**	**40.6**
GRANT FUND MCG		
FY09 ORIGINAL APPROPRIATION	**2,700,000**	**1.0**
Changes (with service impacts)		
Enhance: Workforce Investment Act funded wth Federal Economic Stimulus Grant Funds [Workforce Services]	1,169,860	0.0
Enhance: Summer Youth Employment Program funded with Federal Stimulus Youth Workforce Grant Funds (programmatic use dependent upon regulatory guidelines yet to be established by U.S. DOL and MD DLLR) [Workforce Services]	170,000	0.0
Other Adjustments (with no service impacts)		
Shift: Allocate 15% of Workforce Services Senior Financial Specialist to Administrative Grant under WIA [Workforce Services]	17,340	0.2
Technical Adj: Abolish grant funded position from Workforce Services and shift expenditures to operating expenses under Workforce Investment Act (WIA)	0	-1.0
Shift: Decrease in Operating Expenses to Allocate 15% of Workforce Services Senior Financial Specialist to Administrative Grant under WIA	-17,340	0.0
FY10 RECOMMENDED:	**4,039,860**	**0.2**

7

PROGRAM SUMMARY

Program Name	FY09 Approved Expenditures	FY09 Approved WYs	FY10 Recommended Expenditures	FY10 Recommended WYs
Marketing and Business Development	1,913,380	12.0	1,652,260	9.5
Business Empowerment	1,328,540	11.0	1,167,890	9.0
Workforce Services	3,820,080	6.0	5,088,170	4.0
Agricultural Services	1,003,670	7.2	863,020	6.8
Finance, Administration, and Special Projects	2,233,110	7.0	2,228,710	7.0
Office of the Director	449,800	2.4	697,320	4.5
Total	**10,748,580**	**45.6**	**11,697,370**	**40.8**

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY09 Total$	FY09 WYs	FY10 Total$	FY10 WYs
COUNTY GENERAL FUND					
CIP	CIP	294,950	2.6	302,210	2.6
Economic Development Fund	Economic Development Fund	122,400	1.0	132,340	1.0
NDA - Conference Center	County General Fund	0	0.0	104,820	1.0
Total		**417,350**	**3.6**	**539,370**	**4.6**

FUTURE FISCAL IMPACTS

Title	CE REC. FY10	FY11	FY12	($000's) FY13	FY14	FY15
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY10 Recommended	**7,658**	**7,658**	**7,658**	**7,658**	**7,658**	**7,658**
No inflation or compensation change is included in outyear projections.						
Labor Contracts	**0**	**26**	**26**	**26**	**26**	**26**
These figures represent the estimated cost of service increments and associated benefits.						
Subtotal Expenditures	***7,658***	***7,684***	***7,684***	***7,684***	***7,684***	***7,684***

8

MEMORANDUM

April 13, 2009

TO: Planning, Housing, and Economic Development Committee

FROM Sarah Downie, Research Associate
Office of Legislative Oversight

SUBJECT: **Department of Economic Development's Response to Council's Questions on Strategies and Programs**

In February, based on review of Office of Legislative Oversight Report 2009-8, the PHED Committee generated a set of follow-up questions on selected Department of Economic Development (DED) programs. These questions were endorsed by the Council and transmitted to the Chief Administrative Officer.

On April 3, DED provided a 28-page response to the Council's questions about tax credits, the Business Innovation Network, the Economic Development Fund (EDF), and various other DED activities. The Department of Finance jointly worked on the EDF and tax credit related answers.

This cover memorandum summarizes DED's response, which includes information the PHED Committee may find useful during FY10 operating budget worksessions. DED's full response is attached (see table below for organization and circle references).

One of the Council's requests to DED was for a companion document to the *Vision for Economic Development* that provides the costs of the recommended action items and places them in priority order. In response to this request, DED wrote: "DED is in a transition period pending the appointment of a new Director. This question would be more appropriately addressed after the new Director is appointed."

Program or Activity		DED response begins at circle
A.	Locally Authorized Economic Development Tax Credits	16
B.	The Business Innovation Network (the County's incubator program)	23
C.	The Economic Development Fund	27
D.	DED's Marketing and Outreach Activities	36
E.	DED's Administration of Locally Funded Contracts	37

9

A. Locally Authorized Economic Development Tax Credits.

Four economic development tax credit programs provide incentives for qualifying businesses to locate or expand in Montgomery County. The County is the primary administrator for the two Jobs Tax Credit programs. The State Department of Assessments and Taxation (SDAT) works with County and municipal officials to administer the Enterprise Zones and Arts and Entertainment District Tax Credit programs. Some highlights from DED's response follow.

- The **Jobs Tax Credits** require a recipient to maintain a minimum number of new jobs for a specific period. The six-year New Jobs Tax Credit (NJTC) benefits businesses that expand by at least 25 new jobs and 5,000 square feet of previously unoccupied space. The 12-year Enhanced New Jobs Tax Credit (ENJTC) benefits large expansion projects in certain industries that meet specified wage requirements. Since these tax credits were established, the County has issued 82 credits valued at $15.6 million, including 76 NJTCs (six-year credits) at a cost of $6.3 million, and six ENJTCs (12-year credits) valued at $9.3 million.

- The law authorizes the County to recapture the credits if the conditions are not met. The three-year recapture period specified in law means NJTC recipients must maintain their space and employment for three years after the six year period of the credit, and ENJTC recipients must maintain space and new jobs for 15 years.

- DED reports that the **Jobs Tax Credits** give the County "a competitive and comparative advantage" in situations where a prospect is considering "new" property. DED often incorporates tax credit information in capability statements that it prepares jointly with the State Department of Business and Economic Development. Recent projects where DED proposed this tax credit include Hilton Hotels, Bechtel, National Public Radio, Microsoft, and the Lockheed Martin Center of Learning Excellence.

- DED states that a limitation of the **Jobs Tax Credits** is that they are not available to projects moving into existing space. If no new space exists at a prospect's preferred location, then the County's lack of a tax credit for existing space can create a competitive disadvantage. To address this, DED suggests revising the Economic Development Fund or requesting the state legislature to revise the NJTC.

- The **Enterprise Zone and Arts and Entertainment Tax Credit** programs require recipients in designated geographic areas to be certified, but they do not contain any performance requirements. Since FY1998, when the Enterprise Zone Tax Credit began, 58 credits valued at $10.9 million have been issued. Since A&E Tax Credit began in 2005, 14 credits valued at $15.4 million have been issued.

Economic Development Tax Credits For DED's response about:	Circle
1. Enterprise Zone Tax Credits	16
2. Arts and Entertainment Tax Credits	17
3. New Jobs Tax Credits and Enhanced New Jobs Tax Credits	19

10

B. Business Innovation Network (the County's incubator program)

DED describes the County's Business Innovation Network as being "nationally recognized." DED reports that 88 companies have successfully graduated from the Innovation Network and that 80% of the incubator graduates are still operating in Montgomery County, either as independent entities or as subsidiaries of larger companies.

DED states that the Network is "marginally profitable due to increasing energy costs, and an abundance of vacant commercial spaces offering below market rents, requiring increased county funding." Additional facts about the Networks that the PHED Committee may find particularly relevant during FY10 budget worksessions include:

- DED's policy is to set rents at the prevailing market rate and structure tenant leases to increase 10% annually to discourage long-term occupancy. DED temporarily abated the 2009 rent increase to support tenants during the current economic downturn.

- DED charges $200/month for its Virtual Incubator program, which offers the same package of benefits that incubator tenants receive, but without the physical space.

- When unanticipated cost increases occurred in the past, they have been absorbed within the incubator budget, with additional county funding, or through increased tenant contributions. For example, according to DED, "The 30% increase in utility rates during 2006/2007 was absorbed in part by the companies and in part by the County."

- DED's recommendations for improving efficiency or effectiveness include: streamlining management operations to eliminate duplication; investing in communication improvements; ensuring adequate staffing at each facility; and increasing marketing efforts to maintain occupancy levels.

- DED also recommends establishing a pool of funds "to support the operations of the Innovation Network in lieu of specific appropriations for each facility." **OLO recommends that DED explain further what currently constrains the Department from implementing this practice.**

Business Innovation Network For DED's response about:	Circle
1. Strengths and weaknesses of the Business Innovation Network	23
2. The results of a DED survey of incubator tenants	24
3. How DED determines the type of business for each incubator and how potential businesses are evaluated for acceptance to the program	25
4. The Network's finances	26
5. DED's recommendations to improve the program	27

C. Economic Development Fund (EDF)

The Economic Development Fund provides financial assistance to businesses with the goal of creating new jobs, increasing the County's property tax revenue, and spurring private capital investment. DED responses include information on how DED determines which companies receive financial assistance from each EDF program, and the terms and conditions of the assistance. In sum:

- When considering companies for EDF assistance, DED uses criteria such as whether a financial incentive is necessary to retain or attract a prospect company, and how valid the offers of competing jurisdictions seem to be. DED also considers a fiscal impact analysis, the company's financial history and projections, debt repayment capacity, and an analysis of the strategic significance of a project.

- **The EDF Grant and Loan Program** (the largest of the five EDF programs) is driven by job creation, so recipients must meet certain job goals. If the company fails to meet these goals, either a portion or the entire grant is converted to a loan. Contracts have specific performance milestones and "claw-back" conditions if the milestones are not achieved.

- As requested by the Council, DED provides a table (© 33) of the 13 companies that have received EDF assistance over $200,000. The table summarizes the conditions of the grant/loan received and whether the company has met all the conditions. Five of the thirteen companies were unable to meet job goals required under the terms of the assistance and had to pay back a portion of the loan.

- **The Technology Growth Program** generally provides assistance structured as a conditional grant; the grant is subsequently converted to a loan when a recipient generates a certain amount of annual revenue or obtains equity financing within five years of the financial assistance. Since 1999, the Technology Growth Program has not received new funding; DED has instead used funding from the EDF Grant and Loan Program to provide assistance to early-stage technology companies.

- **The Impact Assistance program** provides grants to businesses adversely affected by County-initiated development; the grant generally does not have to be repaid unless the business moves out of the County. **The Small Business Revolving Loan Program (SBRLP)** and **the Micro-Enterprise Loan Program** both provide assistance in the form of loans. The SBRLP typically requires repayment over five years with an interest rate fixed at the prime rate, while the Micro-Enterprise Loan requires repayment over three years with an interest rate fixed at the prime rate plus 2-4%.

OLO recommends that the PHED Committee ask DED how the Department developed its FY10 funding request for the EDF. In addition, how does the Department anticipate allocating available EDF resources for retaining businesses already located in the County vs. attracting new businesses?

Economic Development Fund For DED's response about:	Circle
1. How DED measures results of the Economic Development Fund	27
2. How DED determines which companies receive assistance from the EDF and the terms and conditions of the assistance	28
3. Accountability and monitoring of loan/grant conditions	31
4. Projected FY10 EDF Budget by Program	35

D. Marketing and Outreach

DED's response summarizes the marketing and outreach activities that the Department carries out to attract and support businesses. Highlights of DED's response are summarized below.

- Historically, 65% of DED's marketing and outreach efforts were focused on businesses/entrepreneurs currently located in Montgomery County; and 35% were focused on businesses not yet located in the County. Since mid-FY08, DED has shifted to focusing 80% of their resources on businesses/entrepreneurs currently in the County.

- DED is working to improve marketing and advertising by improving the Department's web presence. DED is exploring the use of online tools such as blogs and podcasts, using search engine optimization techniques, and requesting permission to launch a web site outside the County's web site. DED also plans to expand the "I Am Montgomery Program" to market the County to businesses.

Based on the performance measures that the Department identifies for its marketing and outreach activities (© 36), OLO recommends that the PHED Committee ask DED to identify the FY10 cost and anticipated results of its most and least "successful" marketing strategies.

Marketing and Outreach For DED's response about:	Circle
1. A description of marketing, outreach, and business support services offered and how DED measures results of these activities	36
2. Marketing for workforce development activities	36

E. Locally-Funded Contracts

The Council asked questions about nine locally funded non-competitive contracts administered by DED (listed at © 38). DED also manages three competitive contracts for workforce services, but these are largely funded by state and federal grants. In sum:

- In FY09, DED administers $340K in contracts with three recipients of Community Empowerment Grants: the Latino Economic Development Corporation, the Alliance for Workplace Excellence, and the Maryland/Israel Development Center. DED would like to be represented on the evaluation committee for the Community Empowerment Grant proposals it will be administering. Alternatively, DED requests authorization to renegotiate the scope of services for these grants if necessary to achieve the desired outcomes.

  OLO recommends that the PHED Committee ask DED to discuss the comparable set of grants proposed in the Executive's Recommended FY10 Operating Budget.

- DED justifies its use of non-competitive contracts by stating that most of the contractors selected are uniquely qualified to provide the desired set of services. DED also summarizes the reporting requirements for each contract. See circles 39-42.

Locally-Funded Contracts For DED's response about:	Circle
1. How DED measures results of each of these contracts	39
2. How DED selects non-competitive contract recipients	40
3. DED's recommendations to improve how these contract dollars are spent	42

Attachment: April 3, 2009 Memorandum from Acting Director, Department of Economic Development, Tina Benjamin to Council President Phil Andrews

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DEPARTMENT OF ECONOMIC DEVELOPMENT

Isiah Leggett
County Executive

MEMORANDUM

April 3, 2009

TO: Phil Andrews, President, County Council

FROM: Tina Benjamin, Acting Director
Department of Economic Development

SUBJECT: **DED Response to February 20, 2009 PHED Committee Recommendation to Council**

I am pleased to transmit the attached packet to the Council addressing the information requested by the PHED Committee. The Department of Economic Development and the Department of Finance jointly worked on the Economic Development Fund and Tax Credit related issues, and DED prepared responses to the remaining requests for information.

I sincerely appreciate the Council giving us an extension of time from the original date of March 20, 2009 so that we could prepare a more comprehensive response.

Following your review, we will be happy to provide any additional information that the Council may need to evaluate the Department of Economic Development's budget and programs. Questions about the attached packet can be directed to Peter Bang, who can be reached on extension 7-2008.

Attachment

cc: Members of the Montgomery County Council
Kathleen Boucher, Office of the County Executive
Joe Beach, Office of Management and Budget
Jennifer Barrett, Department of Finance
Karen Orlansky, Office of Legislative Oversight

15

1. *A companion document to the Vision for Economic Development that provides the costs of the recommended action items and places them in priority order.*

DED is in a transition period pending the appointment of a new Director. This question would be more appropriately answered after the new Director is appointed.

2. *A report on the County's economic development tax credits.*

   a. *The legislative and local implementation history.*
   b. *The annual (and cumulative) cost of the credit since it was first implemented.*
   c. *The accountability process in place for ensuring that the criteria (e.g., new jobs created) for receiving the tax credit are met each year and an explanation of the consequences for not meeting these criteria.*

Enterprise Zone Tax Credit

Description

This tax credit is available to businesses that locate in designated areas of downtown Silver Spring (until December 2011), Takoma Park/Long Branch (until June 2013), Wheaton (until December 2013, unless it is extended), and Gaithersburg (until June 2018), and is designed to spur economic growth in these areas. This real property tax credit is available only for nonresidential properties located within the Enterprise Zones and is based on growth in property assessment. Under the Enterprise Zone law, personal property is not included. The "base year assessment" is the real property assessment for the year before any new construction or refurbishing is done. The credit is based on the increase in the assessment for each of the next 10 years compared to the base-year assessment. The credit itself will be given on the actual taxes that result from the increase in assessment, using the following rate schedule:

Years 1 through 5:	Credit = 80% of assessment increase versus the base year
Year 6:	Credit = 70%
Year 7:	Credit = 60%
Year 8:	Credit = 50%
Year 9:	Credit = 40%
Year 10:	Credit = 30% (expires thereafter)

Cost of the Tax Credit:

Below is a table showing the cost of the Enterprise Zone Tax Credits since the beginning of Enterprise Zones in Montgomery County (fiscal year 1998). For each fiscal year the table shows the total number of properties given the Enterprise Zone Tax Credit, and the total amount of the Enterprise Zone Tax Credit.

Fiscal Year	Enterprise Zone Tax Credit	
	# Credits Issued	Total Credit Amt
2009*	88	$2,268,750
2008	85	$2,095,063
2007	82	$1,749,710
2006	82	$1,750,938
2005	72	$1,406,975
2004	51	$532,275
2003	48	$428,204
2002	44	$354,503
2001	13	$162,747
2000	15	$95,750
1999	16	$56,560
Total	580	$10,901,475

* FY2009 credits are for all processed by March 12, 2009

Accountability Criteria

There is no employment or other requirements to receive this tax credit—once the property is certified by the County Enterprise Zone Administrator[1] and the State Department of Assessments and Taxation (SDAT), the SDAT certifies the amount of the assessment to credit, each year, for the full ten years of the credit. The State of Maryland also grants a tax credit for businesses that locate in Enterprise Zones. However the State's credit is for State income taxes and is related to the number of new employees (in the Enterprise Zone) that a business hires.

Legal Authority

The Enterprise Zone laws in Maryland date back to 1982[2]. If a local jurisdiction requests the Enterprise Zone is approved by the State, then the local jurisdiction must provide the Enterprise Zone tax credits. There is no need for a County Enterprise Zone law. Montgomery's first zone was in Silver Spring, designated in December 1996. The Wheaton Enterprise Zone followed in 1998, and Long Branch-Takoma was designated in 2003. Gaithersburg requested and was approved for an Enterprise Zone designation for its historic business district (known as the Old Towne Enterprise Zone) in 2008.

Arts and Entertainment District Tax Credit

Description

This tax credit is available to a taxpayer against the County property tax imposed on a manufacturing, commercial, or industrial building that is located in an Arts and Entertainment District and is wholly or partially renovated for use by a qualifying residing artist or an arts and entertainment enterprise. Currently, there are Districts in Bethesda (designated in 2002), Silver Spring (2002, and expanded in 2004) and Wheaton (2006).

[1] The Gaithersburg, or Olde Towne, Enterprise Zone has a City employee as the Zone administrator.

[2] Maryland Code: Tax-Property Article, § 9-103. Enterprise zones (*Effective 1982*)

This real property tax credit applies for 10 years, providing that the building continues to be used by a qualifying residing artist or an arts and entertainment enterprise. The tax credit is based on growth in property assessments. The "base year assessment" is the real property assessment for the year before any renovation is done. The credit is based on the increase in the assessment for each of the next 10 years compared to the base year assessment. The credit itself will be given on the actual taxes that result from the increase in assessment. Except for properties given an Enterprise Zone Tax Credit, the amount of the Arts and Entertainment District Tax Credit shall be calculated as follows:

Years 1 through 5:	Credit = 80% of assessment increase versus the base year
Year 6:	Credit = 70%
Year 7:	Credit = 60%
Year 8:	Credit = 50%
Year 9:	Credit = 40%
Year 10:	Credit = 30% (expires thereafter)

For properties also granted an Enterprise Zone Tax Credit, the amount of the Arts and Entertainment Tax Credit is 20% added to the Enterprise Zone Credit, as calculated above.

Cost of the Tax Credit:

Below is a table showing the cost of the Arts & Entertainment District Tax Credit since the beginning of the program (fiscal year 2005). For each fiscal year, the table shows the total number of properties given the Arts & Entertainment District Tax Credit, and the total amount of the Arts & Entertainment District Tax Credit.

Arts & Entertainment District Tax Credit

Fiscal Year	# Credits Issued	Total Credit Amt
2009*	4	$4,340.96
2008	4	$4,184.85
2007	4	$3,739.61
2006	1	$1,766.52
2005	1	$1,413.21
Totals	14	$15,445.15

* FY2009 credits are for all processed by March 12, 2009

Accountability Criteria

The only requirement for the Arts and Entertainment District Tax Credit is that the real property that is credited be "capable for use" by a qualified resident artist or arts and entertainment enterprise. The certifications of the artists/arts enterprises are made by the Arts and Humanities Council in conjunction with the State Department of Assessments and Taxation (SDAT) and the Maryland Office of the Comptroller, while the certification of the real property is made by SDAT.

Legal Authority

Maryland Code: Tax-Property Article § 9-240. Buildings located in arts and entertainment district. (*Effective 2001)*

Montgomery County Code, Chapter 52, Article I, Section 52-18L (*Effective 2002)*

Qualified artists also have an income tax subtraction modification available to them—this modification applies to both State and County income taxes (Maryland Code: Tax-General Article §10-207(v)). Qualified artists and arts enterprises are also exempt from the County's Admissions and Amusement Tax (Maryland Code: Tax-General Article §4-104).

New Jobs Tax Credits

Description

This program consists of the New Jobs Tax Credit and the Enhanced New Jobs Tax Credit, and benefits businesses that are planning to increase both their space and staff. A business seeking either credit must notify the County of its intent to claim the credit *before* the expansion.

New Jobs Tax Credit

This is a six-year credit available to businesses that increase their space by at least 5,000 square feet and their employee count by at least 25 new jobs. Businesses that are already residing in the County or that are moving from outside of Maryland are eligible to apply. The credit is not available to businesses that move to Montgomery County from another Maryland county or Baltimore City, and it is not available to retailers. The 25 new jobs must be permanent full-time positions and must last for at least 24 months. The new space must be occupied during the period the business retains the 25 new employees. The credit is based on the increase in both real and personal property tax assessments resulting from the business's expansion. The credit decreases over six years, as follows:

Years 1 & 2:	Credit = 52% of the assessment for the space leased/owned
Years 3 & 4:	Credit = 39%
Years 5 & 6:	Credit = 28%

New Jobs Tax Credit recipients automatically receive an additional State of Maryland tax credit, which uses the same calculation method. However, the State credit is given against one of the following taxes:

- Corporate or personal income taxes
- Financial institutions franchise tax
- Insurance premiums tax

Enhanced New Jobs Tax Credit

This 12-year credit benefits large expansion projects and is available when businesses:

- Increase their space by at least 250,000 square feet,
- Create 1,250 new permanent, full-time positions *or* 500 new permanent, full-time positions in addition to at least 2,500 existing permanent, full-time positions,
- Pay all these employees at least 150% of the federal minimum wage.

To qualify for the Enhanced New Jobs Tax Credit, a business must be engaged in one of the following industries:

- manufacturing, mining, transportation, communications, agriculture, forestry or fishing
- research, development, testing or biotechnology

- computer programming, data processing, or other computer-related services
- central financial, real estate, or insurance services
- operation of central administrative offices or a company headquarters
- public utility, warehousing, or business services

A business has six years from the notification date to create and fill the required number of new jobs and acquire and inhabit the new space. When this is accomplished, the business will begin receiving the credit. The Enhanced Tax Credit, like the regular New Jobs Tax Credit, is given against the local real and personal property tax and is based on the amount of additional taxes due as a result of the expansion. Unlike the regular New Jobs Tax Credit, however, the Enhanced Tax Credit is calculated at the same rate for all 12 years. The rate is 58.5% of the additional local tax liability. The State also will give a credit based on this additional local tax liability. The State credit is 31.5% for each of the 12 years and is given against the same State taxes as the regular New Jobs Tax Credit (corporate or personal income taxes, the financial institutions franchise tax, or the insurance premiums tax). Both the regular and enhanced State tax credits allow a business to "roll" the credit for up to five years. This means that if the State tax credit is higher than the amount of taxes due in any given year, the business can claim the difference for up to five years. Both tax credits also contain a "recapture" provision that requires a business to repay the credits if they fail to maintain the job and space requirements for three years. This provision is applicable to each individual year, so that if a business maintains the requirements for 15 years, it will have to repay only the last year of the credit (see footnote 3 on the next page).

Cost of the Tax Credit:

Below is a table showing the cost of the New Jobs Tax Credit since the first year of the program (fiscal year 2000). For each fiscal year the table shows the total number of properties given the New Jobs and Enhanced New Jobs Tax Credit, and the total amount of the New Jobs and Enhanced New Jobs Tax Credit.

New Jobs Tax Credit

Fiscal Year	New Jobs Tax Credit		Enhanced New Jobs Tax Credit	
	# Credits Issued	Total Credit	# Credits Issued	Total Credit
2009*	7	$326,025	1	$1,113,630
2008	9	$742,301	1	$1,732,223
2007	13	$828,822	1	$1,681,272
2006	13	$1,018,457	1	$1,743,535
2005	13	$1,136,172	1	$1,775,348
2004	11	$1,219,909	1	$1,246,078
2003	6	$863,011		
2002	2	$109,749		
2001	1	$35,220		
2000	1	$30,137		
Total	76	$6,309,804	6	$9,292,086

Grand Total for Regular and Enhanced Credits: $15,601,890

* FY2009 credits are for all processed by March 12, 2009

Accountability Criteria

This is the only tax credit for which the County is the primary administrator. The tax credit requires (1) that a minimum number of jobs be kept for a specific period of time;[3] and (2) that the space that is credited remain in the possession of the business that ultimately receives the tax credit. If either of those conditions is not met in a given year, the County must recapture any tax credits given during the preceding three years. In order to determine the eligibility of a business for the tax credit, the County re-certifies the tax credits each year, both for the amount of space that the business is using and for the number of employees that the business has in the space. The County uses lease information (or proof of ownership in some cases) and State of Maryland unemployment insurance filings made to the Department of Labor, Licensing and Regulation to determine eligibility.

Legal Authority

Maryland Code: Tax-Property Article § 9-230. Businesses That Create New Jobs. *(Effective 1997)*
Montgomery County Code, Chapter 52, Article X *(Effective 1998)*

d. *An explanation of how the tax credit was or is currently used by DED staff to encourage businesses to locate or expand in Montgomery County.*

The tax credit is currently used in a proactive manner, and as a primary financial incentive when providing potential prospects with information on general incentives to move to Montgomery County, MD or in the case of an existing client company who is considering expansion in the County. The tax credit requires a minimum of 5,000 SF or more of new or previously unoccupied space and a least 25 or more new qualifying jobs during the qualifying period. As such, all prospects whose project scope surpass or border these criteria are informed at the earliest possible negotiation stage.

The tax credit information is normally included in our capability statement that DED provides to prospects before a formal proposal is offered. In many cases our capability statement is incorporated in a joint capability statement with DBED.

The following table shows the list of companies who have qualified and their current status. A list of some of the companies where this was recently proposed as part of an attraction included Hilton Hotels, International Baccalaureate, Bechtel, and National Public Radio. It was also proposed to Banner Life for its potential expansion in Montgomery County. Currently it has been proposed to Microsoft for its move into Chevy Chase, MD at One Wisconsin Place where 500-600 high paying jobs are being moved into the County. Another prominent project involving the enhanced new jobs tax credit is the Lockheed Martin Center of Learning Excellence that invested over $170 million and has created over 1000 jobs since December 2006. This application is still being processed.

New Jobs Tax Credit and Enhanced New Jobs Tax Credit
FY 2000 through FY 2009 (To Date)

[3] The law specifies a three year recapture requirement, so the regular credit recipients must maintain their space and employment for three years after the six year period of the program, while Enhanced credit recipients must maintain them for a total of fifteen years.

Company	Total Tax Credits
Avendra LLC	$289,649
Booz Allen Hamilton[1]	*$161,726*
Chevy Chase Bank	$3,062,371
Children's Hospital	$88,992
Discovery Communications (Enhanced Credit)[2]	*$9,292,086*
First Federal Corporation	$139,673
Health Extras Inc[3]	*$108,275*
Healthtrax, Inc.	$106,930
Institutional Shareholder Services	$165,169
Marriott International	$780,926
Pacific Gas & Electric (NEG)	$84,250
ProFund	$150,061
Qiagen Sciences	$581,207
SoftMed	$197,497
Thales Communications	$235,800
The JBG Companies	$157,276
TOTALS	$15,601,890

The New Jobs Tax Credit is a 6 year property tax credit.
The Enhanced New Jobs Tax Credit is a 12 year property tax credit.

Booz Allen Hamilton, Health Extras, Inc., and Discovery Communications are the only companies that have not yet completed their 6 or 12 year credits.

[1] *Company's last credit will be FY10*
[2] *Company's last credit will be FY11*
[3] *Company's last credit will be FY15*

e. *The Executive's general assessment of the tax credit as a tool for economic development in Montgomery County and any recommendations for improving its effectiveness.*

This tax credit has given the County both a competitive and a comparative advantage in some situations where the prospect is considering or willing to consider "new" property vs. existing property. This is particularly effective if the property is over 25,000 SF with the necessary number of qualifying jobs. The major limitation to this tax credit, as an economic development tool, is that it does not apply to attraction or expansion projects moving into previously occupied existing space no matter how big the potential deal is or the number of jobs created. Many times new space is not available in the preferred location and size needed in communities such as Bethesda or Silver Spring. There are currently no other tax incentives available for existing properties that have been occupied, and this puts the County at a competitive disadvantage with other neighboring jurisdictions.

An alternative to this tax credit for the attraction of new companies or the expansion of existing companies where new or previously unoccupied space is not a viable option would be a welcome addition to the incentives that are already available. Options could include expanding or revising our current Economic Development Fund to meet this requirement or requesting that the legislature revise the NJTC to provide an alternate tax credit, maybe at a lower percentage rate, for previously occupied space similar to the tax credit for new space. An example might be to set the rate at 50% of the NJTC rate paid out over the same period as the NJTC. Another option could be to raise the space required above the current required 5,000 SF and raise the required number of new jobs above the current required 25 or more new jobs for previously occupied space only. This would maintain the current major focus on new space.

In situations where the prospect is considering or willing to consider "new" property vs. previously occupied property this tax credit has given the County both a competitive and a comparative advantage. This is more effective when the space requirement is over 25,000 SF and includes substantially more than the 25 or more qualifying new jobs.

*3. **Further information and analysis on several DED programs.***

Follow-up Questions – Major DED Programs

*A. **Business Innovation Network***

*1) **Measuring Results.** DED's headline measures use the number of jobs created by incubator tenants and several other outcomes to measure the success of the incubator program. What do the data collected to date suggest about the strengths and weaknesses of the County's incubators? In addition:*
- *What did DED learn from the recent survey of incubator network tenants?*
- *What is the success/failure rate of graduate businesses?*

Strengths:
- The Innovation Network is a regionally and nationally recognized successful model, whose facilities are strategically located throughout the County.
- Strong resource and support services are available; training programs, networking opportunities, Maryland Intellectual Property Legal Resource Center, financial consulting, etc.
- Located in a knowledge based economy that encourages entrepreneurship.
- Presence of strong partnerships that support the innovation network operations, i.e. University of Maryland, Tech Council of Maryland, World Trade Center Institute, etc.

Weaknesses:
- The network is marginally profitable due to increasing energy costs, and an abundance of vacant commercial spaces offering below market rates, requiring increased county funding.
- Due to market conditions, scarcities of investment funds are available to start up companies.
- Lack of marketing funds to promote the network.

- A void of telecommunications infrastructure that promotes connectivity and natural networking among tenant companies throughout the network.

What did DED learn from the recent survey of incubator network tenants?

In October of 2008, a survey was conducted of incubator tenants to determine their satisfaction with the network. The survey consisted of 25 questions focused on four central topics: admittance to the network, facilities, programs and graduation preparation.

Examples of responses received included:

- Are the rent and fees reasonable for the facilities provided?
  Yes - 82.5%
  No - 17.5%

- Have the training and networking programs been helpful?
  Yes - 84.2%
  No - 15.8%

- Through the Innovation Network, I have made valuable contacts with federal, research institutions, business leaders, and/or other academic institutions that I would otherwise not have the opportunity to connect with.
  Yes - 50%
  No - 50%

- Due to my participation in the Innovation Network, my business is well prepared to thrive after I leave the facility.
  Yes – 97.4%
  No - 2.6%

- Relative to the status of my business today, I could have done just as well with my company without the assistance of the Innovation Network.
  Yes – 22.2%
  No - 77.8%

What is the success /failure of graduate businesses?

Over the past ten years the Innovation Network has successfully graduated 88 companies. Today, 80% of those companies remain in operation, either as independent entities or as subsidiaries of larger companies, in Montgomery County. The remaining 20% (5 companies) have either closed or moved outside of the County.

Historically about 10% of the companies that entered the Innovation Network has left the program early mainly due to: technology failures, lack of funding, or the emergence of stronger competing technology. Given the rapid expansion of the Innovation Network, coupled with the current economic climate, DED is acutely aware of these factors and is attempting to maintain and/or improve the success rate for graduating companies.

2) ***Selection Process.*** *What is DED's process for selecting businesses to participate in each of the incubators, to include:*

- *How does DED decide the type of business (e.g., professional services, biotech) and mix of locally/internationally-based firms to target for each incubator?*

The admission process and criteria for admittance to the Innovation Network and the Virtual Innovation Program are identical. The process includes the following steps:

- The applicant company meets with staff to tour the facility and obtain a complete briefing on all benefits, services, and programs of the Innovation Network. (Staff are expected to gain an understanding of the applicant's business and discuss eligibility requirements.)
- The applicant company submits a Tenant Application and Business Plan.
- The Tenant Application and Business Plan are reviewed by the innovation team for completeness and quality.
- The applicant makes a 30 minutes presentation to the Tenant Advisory Committee. (Each incubator facility has a Tenant Advisory Committee).
- Based on the strength of the application, business plan and presentation, the Tenant Advisory Committee makes a recommendation regarding acceptance. Applicants are notified within 24 hours regarding the decision.
- A License Agreement (lease) is executed and the accepted firm is required to submit the first month's rent, a security deposit (equal to the first month's rent) and a certificate of insurance.
- A move-in date is scheduled.

The focus of each incubator is influenced by several factors:

- Location advantages, i.e. MTDC is located in the heart of the Shady Grove Life Sciences Campus and surrounded by key resources for the biotechnology community (CARB, JHU & TIGR)
- Strategic Economic Development Goals, ex. SSIC and WBIC are both located in County Enterprise Zones
- The location of the CEO's residence often influences which incubator is more convenient for the company, regardless of the industry focus.
- Funding from TEDCO influences the mix of technology vs. professional service firms, through contractual agreement with TEDCO.

While each incubator has a particular industry focus, DED does not exclude companies that have a high potential to create quality jobs. DED strives to create synergy by grouping similar companies together.

- *What are the main criteria used to decide whether a business is accepted into the program and how are the terms of the arrangement determined? What are the criteria for entrance into the virtual incubator program (to receive only support services)?*

The typical license agreements are for a one-year period, and allow either party to cancel the agreement with 60 days notice. The Tenant Advisory Committees consider the following factors when evaluating a new applicant company:

- The company's potential to make a positive economic impact for Montgomery County (job creation, equity attraction, local capital expenditures)
- Potential and capacity to carry out the proposed business plan/model.
- Sufficiency of funds in hand to reasonably support its operations until the company obtains revenue, equity or grants—typically working capital to last a minimum of six months is required.
- The background and credentials of the management team.
- The market potential and status of the company's technology and intellectual property (if applicable).
- The company's potential "synergy" within the Network. Will the company contribute to and take advantage of the resources within the incubator network.

The admission process and criteria for admittance to the Innovation Network and the Virtual Innovation Program are identical.

3) ***Incubator Finances**: How does DED determine the level of county funding for the incubator program each year?*

As most of the County incubators have been established using debt financing, County funding is initially pre-determined to guarantee sufficient debt coverage (ratio of 1.2 is typically required) after factoring in maximum license revenue and facility and program expenses. The level of County funding is adjusted every few years to reflect market conditions. For instance, from 2006 to 2007, the surge in energy costs (over 30%) caused an approximately $250,000 overrun in energy costs in just two incubator facilities.

- *How is the rent for each tenant determined? How are annual rent increases calculated? Do participants pay to be part of the virtual incubator program?*

The starting rent at each incubator is set at the prevailing market rate. Rent is increased 10% per year to discourage long-term occupancy of the incubator and encourage graduation. The 2009 annual rent increase was temporarily abated in an effort to support incubator companies impacted by the current economic climate. The Virtual Incubator Program costs $200.00 per month. The program offers the benefits and services of the Innovation Network with the exception of physical space

- *Does the County always absorb unanticipated cost increases, (e.g., increases in utility costs)?*

All anticipated costs are budgeted each year, for each facility. At times, unexpected cost increases can be absorbed within the incubator budget and at other times county funding is needed. Revenues and expenses for each facility are reviewed at monthly to maximize cost savings. The 30% increase in utility rates during 2006/2007 was absorbed in part by the companies and in part by the County. This was originally not anticipated in the budget.

- *What are the projected costs of the Business Innovation Network program for the next three fiscal years, FY10-FY12?*

	FY10	FY11	FY12
MTDC	$300,000	$300,000	$300,000
RIC (Rockville)	$324,719	$324,710	$324,710
SSIC (Silver Spring)	None	None	None
GIC (Germantown)	$312,000	$400,000	$400,000
WBIC (Wheaton)	$275,270	$283,528	$292,033

4) ***Recommendations for changes to improve efficiency or effectiveness.*** *Does DED have any specific recommendations for changes to the Business Innovation Network to improve the efficiency or effectiveness of the program?*

- Establish a pool of funds to support the operations of the Innovation Network in lieu of specific appropriations for each facility. This will allow greater flexibility to place resources where they are needed.
- Invest in communication improvements such as a well defined website for the Innovation Network, including an intranet for companies within the Innovation Network to communicate with each other.
- Ensure adequate staffing at each facility.
- Streamline management operations to eliminate duplication.
- Increase the marketing effort to maintain the occupancy level of each facility.

B. Economic Development Fund (EDF)

1) ***Measuring Results.*** *How does DED define "success" and measure the results of the Economic Development Fund? What do the data collected suggest about the strengths and weaknesses of the EDF?*

EDF Sub-Program	Measures of Success
Economic Development Fund Grant and Loan Program	• Number of jobs created or retained • Private capital investment induced • Amount of real and property taxes collected
Technology Growth Program	• Research grants received • Revenue generated • Equity financing raised
Small Business Revolving Loan Program	• Ability of a borrower to maintain or expand its operations • Ability of a borrower to service the loan
Impact Assistance Fund	• Ability to financially support businesses that experience adverse impact due to County initiated development projects.
Micro-Enterprise Program	• Ability of a borrower to start, maintain or expand its operations. • Ability of a borrower to service the loan.

The Economic Development Fund Grant and Loan Program (EDFGLP) has achieved notable results and continues to contribute to the economic well-being of the County. Twenty two million dollars of EDGLP funding led to the creation and retention of 28,000 jobs in the County. Over $12 million in property taxes were paid by the 145 EDGLP recipients in 2008. Specifically, three recipients - Marriott, MedImmune, and Discovery Communications - paid more than $4.4 million in property taxes in 2008. On average, every EDGLP dollar has triggered $50 in private capital investment since the program's inception.

The Technology Growth Program (TGP) has been instrumental in taking early-stage companies to the next level so that they could pursue research grants, ramp up sales efforts, or attract private investment. During the past five years, aggregate TGP funding has leveraged twice as much in state grants.

With its five sub-programs, the EDF has met the needs of businesses of various sizes and industry types in the County. Recipients represent the diversity of County businesses and range from a major employer to a hair salon. The EDF is an effective avenue through which the County demonstrates its commitment to nurturing a supportive environment for businesses. Moreover, highly-targeted programs such as EDFGLP and TGP have been instrumental in the County's efforts to maintain its competitive advantages. The EDF also enables DED to cultivate long-term relationships with recipient businesses. DED makes frequent contacts with recipient businesses for annual performance monitoring purposes. In doing so, DED intercepts early market intelligence on company's activities, and receives feedback on overall business climate of the County.

Despite these positive aspects, low levels of funding remain a challenge to the EDF. Since 1999, TGP has not received a new infusion of funds. In order to continue to provide the funding crucial to the growth of early-stage technology companies, DED has been using appropriations from EDFGLP. This in turn, often restricts the DED's ability to provide financial incentives to the businesses pursued by the County for attraction or retention.

The current level of staff support is extremely limited. There are more than 250 businesses in the EDF portfolio for two program staff members to track for retention and annual performance monitoring purposes. As such, often times, we are not in the best position to intercept companies' trouble and proactively assist them. DED is currently evaluating options to remedy the situation.

2) ***Recipient Selection and Terms.*** *How does DED determine which companies receive a loan or a grant, and how are the terms and conditions of the financial assistance decided? What information does the company have to provide during the application process?*

EDF program applications are screened and evaluated using the following criteria:

- Risk assessment: What are the chances of not retaining or attracting a prospect company if a financial incentive is not offered? How valid are other competing jurisdictions' offers;
- Fiscal impact analysis: Would this project have a positive fiscal impact for County?
- Technology and commercialization feasibility analysis: Is the proposed technology proprietary? What is the market trend of this technology?
- Financial history and projections: Has the business been profitable? How has it been funded?
- Company and management background: Who is the key management? What are their backgrounds?
- Credit worthiness and debt repayment capacity analysis – Is the business principal credit worthy? Does the company have the ability to service debt?
- Analysis of the strategic significance of a project – What is the strategic objective of using the EDF? Is it retaining or attracting a business, providing an anchor tenant to a large development project, or spearheading revitalization efforts?

Specifically, for EDFGLP transactions, DED gives priority considerations to the prospects with significant employment growth as well as significant capital investment potential, and the ability to leverage existing State and private sector financing programs. A company is required to submit a copy of its executed lease for space in the County, verify the number of employees in the County (and/or provide evidence of relocating employees from other region), and submit a registered copy of Articles of Incorporation in order to receive funds. Because EDFGLP is mainly driven by employment, recipients are required to adhere to job goals. If a company fails to reach these goals, either a portion or the entire grant will be converted to a loan payable to the County.

A TGP applicant is required to submit a business plan and, financial statements including a balance sheet and an income statement. A TGP application is rigorously screened using the following criteria:

- Characteristics and proprietary position of the product(s) or service(s).
- Present and future markets for those products or services.
- Strategies for achieving and maintaining significant market penetration.
- Financial history and projections including balance sheets, income statements, and cash flow statements.
- The background, experience and financial commitment of the company principal(s) and key management personnel.
- Statement of the amount, timing and projected use of the County's assistance and any co-venture capital.
- Projected employment growth, and/or other positive economic impacts that the County's assistance will facilitate.

A TGP recipient is required to maintain a majority of its business interests for five years after it receives a financial assistance from the County. Otherwise, it is required to repay the County the entire grant amount. A TGP transaction is usually structured as a conditional grant.

A grant is converted to a loan bearing the interest rate of 15% when a recipient generates agreed upon annual revenue (usually $1-$3 million) or obtains agreed upon equity financing (usually $1-$4 million) within five years after County's financial assistance. If a business relocates a majority of its business interests after the grant is converted to a loan, it is required to immediately pay the outstanding principal balance and all accrued interest.

Small Business Revolving Loan Program

DED evaluates Small Business Revolving Loan applications using the following criteria: the need for capital, company's debt service capacity, and potential revenue increase due to the injection of loan proceeds, collateral coverage, business/principal's previous credit history, management capabilities, and economic impact to the County. An applicant is required to submit to DED three years of business tax returns, two years of personal tax returns, interim financial statements, and a completed personal financial statement. For start-up companies or existing businesses with a major expansion plan, a business plan is often required.

Loans are typically structured with a six month to a year of moratorium on principal and interest payment, a repayment period up to five years and an interest rate fixed at the prime rate. In most cases, a personal guarantee by the business principal(s) is required. For monitoring purposes, DED requires that the borrower submit federal and state tax returns annually. If a company sells or closes its business, or relocates a majority of its business interests outside the County before a loan is completely repaid, it is required to repay the County the entire principal balance and all accrued interest.

Impact Assistance Fund Program

The principal criterion used for a funding decision is whether a business has experienced a decrease in revenues due to a County-initiated development, re-development or revitalization project. All businesses wishing to be considered for this program must provide supporting documentation evidencing that the business has been adversely impacted.

If a company relocates its business outside the County, or the sale or transfer of a majority of its assets, ownership, or management control triggers the business to close its operation for any reason other than bankruptcy within three (3) years of disbursement of the grant proceeds, the company is required to immediately repay the County the entire grant amount.

Micro-enterprise Loan Program

In order to be considered for a loan from the Program, the applicant must provide DED with the current personal financial statement, two years of personal returns, and a business plan. DED also requests business tax returns for the applicant that has been in business for more than a year. The application and supporting documents are reviewed by a loan review committee. Before an application is submitted to the loan review committee, DED performs due diligence using the following criteria:

- Review the borrower's debt payment history and outstanding financial obligations;
- Evaluate the borrower's business skills and experience;
- Understand the specific purpose of the loan;

- Understand the sources and plan for repayment;
- Evaluate all collateral and back-up sources of repayment; and
- Verify that the loan's purpose, sources of repayment, and collateral are acceptable, reasonable, practical and accomplishable within the normal framework in which the borrower operates.

Loans are typically structured with a six month moratorium on principal and interest payment, a repayment period up to three years and an interest rate fixed at the prime rate plus 2-4%. In most cases, a personal guarantee by the business principal(s) is required. For monitoring purposes, DED requires a borrower to submit federal and state tax returns annually.

3) ***Accountability and monitoring of loan/grant conditions.*** *How does DED ensure that the conditions of a loan/grant from the EDF are met (e.g., creation of a certain number of jobs, remaining in the County for a certain period of time)? If the conditions are not met, how does DED ensure repayment? Has the County ever waived the conditions of an agreement?*

EDFGLP requires recipient companies to adhere to specific job creation and retention goals and to remain in the County for a minimum number of years after receiving a grant/loan (typically five years). Each recipient company enters into a legally binding Economic Development Fund Agreement (EDFA) with the County. EDFA stipulates specific performance milestones and contains claw-back conditions if the milestones are not achieved.

After the disbursement of the EDF grant/loan, DED staff monitors the status and progress of EDF recipients through the following vehicles:

- Require recipients to submit annual verification documents as stated in EDFA. Examples of required documents include employment reports, financial statements, tax returns, and evidence of capital investment in the County.
- Collect information on real estate and personal property taxes paid by recipients each year.
- Regularly conduct site visits, make phone calls, and monitor company websites.
- Request a copy of press releases from recipient companies.
- Monitor news reports from local business journals, newspapers, and the Internet.

DED annually collects and reviews each EDF recipient company's unemployment insurance contribution reports and other pertinent documents to monitor satisfactory performance and adherence to each company's EDFA. The measurement period and duration of monitoring differs for each company depending on the nature of each transaction. For example, if a company is required to retain 50 employees and create 50 new jobs within three years of receiving a financial assistance from the County, the retention of 50 employees will be verified prior to the disbursement of the funds. The creation of 50 jobs, however, will be monitored at the end of the performance monitoring period (typically three-year job creation period) or on each anniversary date of EDF fund disbursement during the three-year period.

If the conditions are not met, DED will recall a part or the entire amount of the grant/loan pursuant to the terms of EDFA. If the recipient cannot make the entire amount of the recalled

grant/loan in one lump sum payment, then a promissory note and other legal documents will be executed and monthly or quarterly loan repayments will be arranged.

The County has waived the conditions of EDFA on a few cases based on extenuating circumstances. An example is the loan made to Mayorga Coffee Roasters that was later forgiven with the approval of DED and the Department of Finance, and consent from the County Attorney's Office. The loan was forgiven due to the collapse of the revenue base caused by the Silver Spring Gateway Project. This project was initiated by the County and JBG Companies. Although EDFA conditions have seldom been waived, DED frequently grants recipients additional years to achieve the original goals specified in EDFA. For the 13 EDF transactions over $200,000, no conditions of EDFA have been waived. The chart in the following page shows detailed information on the 13 EDF transactions over $200,000.

----------TABLE TO FOLLOW----------

MONTGOMERY COUNTY, MARYLAND

Economic Development Fund

EDF Transactions over $200,000 (1995 through 2008)

No.	Company Name	a. EDF Amount	a. Fiscal Year Committed	b. Conditions of Grant/Loan	c. Whether the company met all the conditions?	d. If not met, what consequences were imposed by the County?
1	Wheaton Plaza Regional Shopping Center	$6,000,000	FY04	Maintain the Macy's store for 15 years from the opening date, easement to grant the County non-exclusive right to use 400 parking spaces in the garage for public parking.	Still under monitoring	N/A
2	Marriott International, Inc.	$3,000,000	FY99	Attain 3,700 jobs, then forgive $1M; attain 3,900 jobs, then forgive another $1M; 4,200 jobs for two consecutive years before 2013, then forgive the remaining $1M.	All conditions had been met and the conditional loan was converted to a grant.	N/A
3	Bethesda Cultural Alliance (BCA)	$1,875,000	FY04	Not to cease operations of the theater for more than 18 months, equipment properly insured, submit annual reports, a full voting position on the Board of BCA.	Still under monitoring	N/A
4	Qiagen Sciences, Inc.	$1,100,000	FY99	Stay in the County for 10 years, create at least 80% of the projected 300 jobs by the end of fifth anniversary of the loan disbursement date.	Still in the County. Created 177 new jobs. 123 jobs short of the job goal.	$451,041 was repaid due to a failure to adhere to the job goal. Case closed.
5	Acterna, LLC	$1,100,000	FY00	Build a new HQ building in Germantown, add 626 new jobs to its 717 job base and maintain 1,500 by the end of 2005.	Company filed for bankruptcy in 2003. Company is still headquartered in Germantown.	Sent to the County Attorney's Office for collection. $110,000 collected. Case closed.

33

No.	Company Name	EDF Amount	a. Fiscal Year Committed	b. Conditions of Grant/Loan	c. Whether the company met all the conditions?	d. If not met, what consequences were imposed by the County?
6	Discovery Communications, Inc	$ 600,000	FY01	Stay in the County for 10 years and add 364 new jobs to its 740 job base through 2008.	Job goals have been met. 1,606 jobs were reported at the end of 2008. The grant will be permanently forgiven on the 10 year anniversary date in September 2009.	N/A
7	Choice Hotels International, Inc.	$ 500,000	FY99	Stay in the County for 5 years and add 42 new jobs to its 283 job base through 2007.	All conditions had been met. The conditional grant was permanently forgiven.	N/A
8	MedImmune	$ 500,000	FY01	Stay in the County for 5 years, add 102 new jobs to the 311 job base by 12/31/2003 and maintain 438 jobs through 2005.	All conditions had been met. A conditional grant was permanently forgiven.	N/A
9	SODEXHO MARRIOTT	$ 250,000	FY98	Stay in the County for 5 years, create 150 new jobs and maintain 350 jobs through 2003	All conditions had been met. Conditional grant was permanently forgiven.	N/A
10	Acacia	$ 200,000	FY97	Stay in the County for 5 years and relocate and maintain its 265 jobs through 2002.	Job goals had not been met. $49,000 was converted to a loan.	$49,000 was recalled due to non-compliance. The amount was paid off. Case closed.
11	BioReliance Corporation	$ 200,000	FY98	Stay in the County for 5 years, generate additional 162 new jobs and maintain 457 jobs through 2003.	All conditions had been met. The conditional grant was permanently forgiven.	N/A
12	NASD	$ 200,000	FY98	Stay in the County for 5 years and add 523 jobs to its 907 job base.	Short by 146 jobs. $21,666 was converted to a loan.	The converted loan was paid off by NASD. Case closed.

34

No.	Company Name	EDF Amount	a. Fiscal Year Committed	b. Conditions of Grant/Loan	c. Whether the company met all the conditions?	d. If not met, what consequences were imposed by the County?
13	World Space	$ 200,000	FY05	Stay in the County through 2010, employ and retain 108 jobs through 2010, capital investment of $6M by 2007	119 jobs were reported at the end of 2007. However, the company filed for bankruptcy in fall of 2008.	Sent to the County Attorney's Office for collection. Case still open.

35

4) FY10 budget – EDF by Sub-Program

Approved FY10 Budget - EDF by Sub-Program

	Economic Development Grant/Loan Program	Technology Growth Program	Small Business Revolving Loan Program	Impact Assistance Program	Micro Enterprise Loan Program	DED Staff Fund Admin (1 WY)	Total
Beginning Balance	$ -	$ -	$ 100,000	$ 50,000	$ 50,000	$ -	$ 200,000
Revenues							
From General Fund	$ 233,100	$ -	$ -	$ 50,000	$ -	$ 133,340	$ 416,440
Loan Repayment	$ 40,000	$ 15,000	$ 131,000	$ -	$ -	$ -	$ 186,000
Investment Income	$ 50,000						$ 50,000
State Grant	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total FY09 Resources (line 4+5)	$ 323,100	$ 15,000	$ 231,000	$ 100,000	$ 50,000	$ 133,340	$ 852,440
Appropriation/Expenditure	$ 138,100	$ 200,000	$ 231,000	$ 100,000	$ 50,000	$ 133,340	$ 852,440
Projected Fund Balance	$ 185,000	$ (185,000)	$ -	$ -	$ -	$ -	$ -

C. Marketing and Outreach

1) ***Measuring Results.*** *How does DED define "success" and measure the results from the Department's marketing and outreach activities?*

Depending on the medium and outreach method, different outcome measures are tracked. The following illustrates the typical gauges for measuring success in marketing and outreach programs:

- Trade Shows: Number of pre-scheduled and onsite prospect meetings, number of follow up calls and meetings, number of successful closures.
- Conference and Conventions: Number of prospect meetings, leads generated at the booth, number of follow up calls and meetings, number of successful closures.
- Training Events and Seminars: Number of attendees, survey results, follow up calls to verify attainment of objectives by the attendees.
- Networking Event: Leads generated, quality and quantity of intelligence gathering
- International Missions: Number of successful match-making between County and foreign companies, number of prospects developed, number of successful closures.
- Webinar: Number of attendees, quality and quantity of intelligence gathering, number of prospects developed.

2) ***Description of Activities.*** *Describe in more detail the array of marketing, outreach, and business support services currently provided by DED.*

The above activities in targeted industries are conducted throughout the year with local, regional, and national level.

- *In particular, what is the division of DED's marketing and outreach efforts focused on businesses/entrepreneurs currently located in Montgomery County vs. businesses not yet located in the County?*

Historically, DED's marketing and outreach program efforts (staff resource and expenditure) were allocated approximately 65% on businesses/entrepreneurs currently located in Montgomery County and 35% on businesses not yet located in the County. Since the second half of FY08, DED is allocating over 80% of resources to businesses/entrepreneurs currently located in Montgomery County.

- *Is workforce development a part of the marketing program? If so, is it possible to place an estimated dollar amount on this effort?*

Although DED's Workforce Investment Services division has separate program partners and outreach programs to inform the general public and the target audience, we partner frequently to inform general public and business communities of DED and County's programs. Workforce Annual Award Ceremony attended by over 300 businesses is a good example. Annually, approximately $30-$40,000 is spent towards the workforce development part of the marketing program.

3) ***Recommendations for changes to improve efficiency or effectiveness.*** *Does DED have any specific recommendations for improving how the Department conducts marketing and outreach activities?*

The Department of Economic Development, like almost all businesses and public-sector agencies, finds that funding for marketing and advertising has largely evaporated. Consequently, the department is engaging in a number of activities to create a coordinated marketing and outreach strategy, as outlined below:

I. Improving the department's Web presence (see individual milestones)
   a. Frequently refreshing content on department's home page (being done now)
   b. Making use of Web 2.0 elements
      i. Producing podcasts highlighting department activities and successes of county businesses (already engaged)
      ii. Sending out press releases and media advisories through Twitter (exploring)
      iii. Using blogs to better connect with the county's business community (exploring)
         1. Blog posts to promote programs and services, as well as to discuss business best practices
         2. Making use of moderated comments section so that department's customers can provide feedback and share self-identified best practices with peers
      iv. Allowing business development specialists to use LinkedIn, Facebook, etc., to better connect to and interact with the business community, both locally and globally (engaged on limited basis, looking to expand)
   c. Sending targeted e-mail newsletters to promote the county's programs and services (in planning)
   d. Search engine optimization techniques to make it easier to get word about the county out to site selection professionals and county businesses alike (under way)
   e. Launching a cutting-edge Web site outside county portal site for attraction of outside businesses via site selection consultants (request for exception being submitted)

II. Expansion of "I Am Montgomery" program as a vehicle for enhanced outreach to county businesses, as well as an advertising medium to a national and global audience (under way)

III. Better use of RSS feeds to allow target information (press releases to reporters, etc.)

D. Locally-Funded Contracts

The table below lists the locally-funded contracts managed by DED. While the Division of Workforce Services also manages three contracts funded by County revenue, they have been excluded from the list because a large portion of each contract is funded by state and federal grants and many of the services provided are mandated by federal law.

Contracts managed by the Department of Economic Development - FY09

Contractor	Max. Amount ($ in 000s)	Type of Contract	DED Division
Conference and Visitor's Bureau	695	Non-competitive	Marketing and Business Dev.
Latino Economic Development Corp.	255	Non-competitive (3 Community Grants)	Business Empowerment
Alliance for Workplace Excellence	60	Non-competitive (Community Grant)	Workforce Services
Small Business Development Center	50	Memorandum of Understanding**	Business Empowerment
CoStar Realty Information, Inc.	28	Non-competitive	Marketing and Business Dev.
Technology Council of Maryland	25	Non-competitive	Marketing and Business Dev.
MD/Israel Development Center	25	Non-competitive (Community Grant)	Marketing and Business Dev.
World Trade Center Institute	25	Non-competitive	Marketing and Business Dev.
Montgomery County Weed Control*	10	Non-competitive	Ag Services
TOTAL	**$1,173**		

Source: FY09 Non-Competitive Contract List (FY09 Operating Budget); Department of Economic Development
*Contract amount is $32,000; $22,000 funded by Department of Transportation budget
**DED entered into an MOU with the University of Maryland for the Small Business Development Center Network.

DED administers a number of contracts that are both competitive and non-competitive. Most of DED's non-competitive contracts are community empowerment grants, which are awarded by the County Council to organizations that submit applications during the annual budget process. Once the organization is awarded a grant, an administering department is identified and charged with writing, managing, and monitoring the contract with the award recipient, following the County's good procurement practices.

In FY09, DED was assigned grants for the Latino Economic Development Corporation (three grants), the Alliance for Workplace Excellence, and the Maryland Israel Development Center. The department works to accommodate the requests of the organization without compromising the County's regulatory guidelines. As the administrator of these grants, DED faces challenges in terms of helping awardees understand that they must provide all of the information required as part of their contracts. Items like outcome measures, detailed budgets and schedules are often daunting to recipients. In addition, timing is often a factor because many of the organizations expect the funding to be available on July 1st, with or without a contract.

Where appropriate, DED ensures that most contracts have compensation tied to the submission of a report that must be accepted by the County prior to payment.

For each of the contracts:

1) ***Measuring Results.*** *How does DED define "success" and measure the results from each of these contracts?*

Community Empowerment Grants – The contracts include a separate section for reporting, which helps to ensure that the program's results match the original intent of the proposals. There is an inherit challenge to evaluating those results if the grantee's proposal is vague or non-specific in terms of its program and/or delivery of services. If a proposal is not realistic in terms of time of service delivery, cost, or program execution, DED will work with the grantee to develop a deliverable program and then aligns reporting requirements around the refined scope of services and schedule of activities.

Conference and Visitor's Bureau – The contract with the CVB includes reporting sections that require the CVB to comply with Section 52-16 (Room and rental transient tax), of the Montgomery County Code, by submitting a report of their use of County funds under this Contract no later than March 1st of every contract year. The CVB must also obtain approval from the County for their annual strategic tourism sales and marketing plan. The CVB also submits an annual report detailing its marketing activities for the prior fiscal year. That report is due to the County within four (4) months of the end of each County fiscal year.

Small Business Development Center – The department measures the outcomes for this MOU through close communication with the University of Maryland's program director. The intent of the MOU is to coordinate small business technical assistance for Montgomery County companies and individuals interested in starting a company.

The SBDC is required to submit quarterly reports to the County:

- The number of Montgomery County persons referred and assisted;
- The number of persons attending training; and,
- The data for each Microenterprise Loan Program applicant referred to the SBDC by the County for additional support. SBDC provides the County with specific details on the follow-up and types of assistance provided.
- Three success stories detailing the specific outcomes for each of the three clients served.

In addition, the SBDC will report on the following outcomes, in aggregate, for the reporting period:

- total number and dollar amounts of loans obtained by clients through SBDC assistance;
- number of new businesses started;
- number of jobs created.

Technology Council of Maryland – The Tech Council provides the County with an opportunity to expand and exchange ideas of common interest ranging from forming public policy on biotechnology issues to creating technology initiatives that will increase job creation in Montgomery County.

The collaboration between the County and the Tech Council is vital to attracting and retaining major biotechnology and IT companies and to strengthening the communication between the private and public sector in Montgomery County. The Tech Council's scope of services requires several deliverables, and compensation is directly tied to the reporting requirements. Reports are due semi-annually.

World Trade Center Institute – The Contract with the World Trade Center Institute provides the County with an opportunity to network internationally through a number of focused high-profile events. The collaboration between the County and the World Trade Center Institute is vital to stimulating the global expansion of companies in Montgomery County. The contract requires a semi-annual report. The partnership between the World Trade Center Institute and the County is important because rapid changes in the global market require constant attention. The WTCI helps DED adapt quickly to these changes.

Montgomery County Weed Control – The Montgomery County Weed Control contract contains a reporting clause that requires the organization to submit on or before June 30th each year a uniform accounting system based annual report. As part of the annual report, Montgomery County Weed Control must submit a summary of activities including property owners contacted, a record of acres sprayed, the amount of chemicals applied, and the total acreage known to be using control or eradication practices. The success of the contract is based on the work completed within the budgeted allocations from both the County and the State Department of Agriculture, and adherence to the State laws regarding weed eradication.

CoStar Realty Group, Inc. – This contract is a license agreement that does not require CoStar to report its progress to the County. The County depends on the online software to provide the necessary information based on the agreed scope of services written into the contract. The success of the contract is measured in the availability and ease of access to the system on a regular basis, which allows the assigned users to gain access to the data and reports generated by the program.

2) ***Selection.*** *How are the contract recipients selected and what justifies the contracts being awarded non-competitively?*

Community Empowerment Grants: (Latino Economic Development, MD/Israel Development Center, and Alliance for Workplace Excellence) - DED has no control over the selection of the grantees for the Community Empowerment Grants. The County Council identifies the award recipients based on the proposals that are submitted during the annual budget process.

Conference and Visitor's Bureau (CVB): In 1993, the County Council approved a resolution designating the CVB as the entity charged with promoting Montgomery County. The Council passed legislation entitling the CVB to 3.5% of the revenue collected from the room rental transient tax. DED was assigned to oversee the CVB and created a contract to disburse the revenue-based funds.

Small Business Development Center – DED has enjoyed a long working relationship with the University of Maryland's Small Business Development Center. SBDC is an important public asset that has provided small business technical assistance to local companies for several years. This MOU with SBDC supports the County's mission to grow small, diverse businesses. DED chose the SBDC because they are uniquely positioned to provide a wide range of small business technical assistance services to a diverse group of individuals seeking assistance as opposed to other organizations that focus on niche markets. Equally important, the County's grant leverages Federal grants at a ratio of 1 to 4 plus.

CoStar Contract – CoStar is uniquely positioned as the largest supplier of property information and the only company that offers detailed information on tenant occupancy. All of the major brokerage firms use CoStar for their commercial real estate database needs, and the County has followed suit to meet the growing and diverse needs of our prospects. CoStar is a valuable tool that Business Development Specialists use when working with active prospects. In addition, the CoStar database provides data on tenant lease expirations, which the department uses to identify potential prospects for retention and/or expansion within the County.

Technology Council of Maryland – The Tech Council is identified as a non-competitive contract because this is the only membership organization of its kind. Montgomery County was the prime entity in creating the Technology Council of Maryland. It is a non-profit organization created to expand and exchange ideas of common interest ranging from public policy on biotechnology issues to creating technology initiatives that will increase job creation in the County. The collaboration between the County and the Technology Council of Maryland is vital to attracting and retaining biotechnology and IT companies to the County, and strengthens the communication between the private and public sector.

World Trade Center Institute – The selection of the World Trade Center Institute was based on the organization's unique access to, and contacts within, the international business and governmental communities. During the last five years, several organizations attempted to fill the void by offering international networking opportunities to clients and members. Organizations like the Suburban Maryland International Trade Association have been unable attract the right audiences. Conversely, WTCI events range from intimate gatherings with seasoned experts such as the chairman of BAE Systems, to signature events like Embassy Day that assemble over 600 people with expertise in international business development, relations, trade, and governmental affairs. As a leader in international business education and outreach, WTCI provides the highest level of access to an extensive network of sister WTCI's that span around the globe.

DED reviewed the contract with the World Trade Center Institute during the FY10 budget process, and decided to reduce the amount of funding for the upcoming program year. DED will participate in a few key events to ensure a presence in the international business community.

Montgomery County Weed Control – Maryland state law requires the control and eradication of noxious weeds. Pursuant to Agriculture Article, Title 9, Maryland Annotated Code, Montgomery County desires to provide a program for the control and eradication of Johnson Grass, Shattercane, Thistles and Multi Florarose within the County. The State Grant that the County has with the Maryland State Department of Agriculture identifies Montgomery Weed

Control as the qualified organization to perform the control and eradication services for the County. The organization was created specifically for the purpose of supporting the County's effort to control the spread of noxious weeds identified as threats to County lands, which is the reason the vendor is identified as a non-competitive contract.

3) ***Recommendations for changes to improve efficiency or effectiveness: Does DED have any specific recommendations for changes to how these contract dollars are spent?***

The Department of Economic Development (DED) evaluates the effectiveness and efficiency of its contract expenditures on an ongoing basis throughout the year. For contracts where DED itself has crafted the scope of services and contract objectives, there are clear performance benchmarks against which the department assesses results. In order to ensure that a similar level of performance outcomes and accountability can be applied to the Community Empowerment Grants (CEGs) DED is asked to administer, we recommend that the award process for the CEGs be modified. We believe that a DED representative should be included on the evaluation committee for the CEG proposals it will be responsible for administering.

Currently, DED is not a part of the Council's grant review process for CEG applications that are in the general economic development area. DED staff does not have an opportunity to evaluate an applicant's capabilities or to assess whether a proposed program or service is likely to be effective or achieve the desired impact; to determine whether it duplicates existing services or will serve a target market; or if the proposed budget is appropriate.

As currently structured, when a CEG is assigned to DED to administer, staff do not have the ability to modify the scope of services if they believe that no positive results can be derived out of the grant as it is structured. If DED cannot be involved in the grant review and approval process, we recommend that the Council grant the department authority to renegotiate CEG scopes of services and budget line items if it believes this is necessary to achieve the desired outcomes.

DED has had a few experiences where it believed the grant recipient did not use CEG funds prudently, but the department was unable to do much to improve the result other than to report about it after the fact. In one case, a grant recipient used $12,000 for a cultural networking event attended by less than 35 people. When questioned by DED staff, the grant recipient argued that the Council had approved its budget and proposed use, and as such they had the right to use the funds as for this purpose.

THE DEPARTMENT OF ECONOMIC DEVELOPMENT: REVIEW OF BUDGET AND STRATEGIES

OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2009-8 / FEBRUARY 3, 2009

The purpose of this study is to enhance the County Council's oversight of the County's economic development expenditures, and assist the Council to establish future funding priorities for the Department of Economic Development. The Council's request for the project evolved from the Planning, Housing and Economic Development Committee's interest in knowing more about DED's spending and how newly proposed projects fit into an overall economic development strategy for the County. In December 2008, the County Executive transmitted to the Council his new economic development strategy titled, *A Vision for Economic Development in Montgomery County*.

DEFINING AND MEASURING THE OUTCOMES OF ECONOMIC DEVELOPMENT PROGRAMS

There is no universal definition of an economic development program. Across the country, numerous types of public and private entities sponsor activities and projects intended to create or retain jobs, grow the tax base, and/or improve the quality of community life. Economic development organizations offer a wide range of services including: marketing and promotion; grants, loans, and other types of financial assistance for businesses; training and mentoring; and information sharing. Three strategies encompass most economic development activities:

Importing growth strategies focus on attracting investment from outside the region.

Growing from within strategies focus on nurturing businesses already in the locality.

Retaining jobs/business strategies focus on counteracting forces that threaten the viability of local businesses.

The research literature contains few examples of rigorous outcome evaluations of state and local government economic development programs. Measuring the effectiveness of an economic development program requires establishing a cause and effect relationship between a program and its outcomes. With economic development programs, it is extremely difficult to determine whether measured results, such as the number of new jobs or size of tax base expansion, are due to the program or caused by external factors, such as business cycles, tax policies, or natural firm growth. In addition, the cost of such evaluation is often perceived to outweigh its benefits, especially if there is a lack of political interest in conducting a review that might reveal negative results.

RESOURCES AND BUDGETS MANAGED BY DEPARTMENT OF ECONOMIC DEVELOPMENT

In FY09, the County's Department of Economic Development (DED) manages funds appropriated in both the operating and capital budgets that total **$19.8 million.** DED's personnel costs account for 28% of the resources managed by the Department; other expenses, such as grants, loans, contractual services, and capital projects, account for nearly three-quarters (72%) of this total. The multiple budget approvals that account for these resources include:

- **$10.5 million approved in DED's departmental operating budget.** The County funds 76% of DED's budget, with the balance (24%) of funds coming from state and federal grant funds, primarily for workforce development activities.
- **$3.6 million approved in other operating budget accounts.** This includes appropriations to the Economic Development Fund, Non-Departmental Accounts for the Conference Center and the Conference and Visitor's Bureau, and three Community Grants.
- **$5.7 million in the capital budget** for planned expenditures in FY09 for three CIP projects administered by DED: the Life Sciences and Technology Centers, a Music Venue in Silver Spring, and Agricultural Land Preservation Easements.

DEPARTMENT OF ECONOMIC DEVELOPMENT - ORGANIZATIONAL STRUCTURE AND FUNCTIONS

The Department of Economic Development consists of a Director's Office and five program divisions. The workyears (WYs) and general functions of each division are as follows:

- **The Director's Office (4.4 WYs)** provides strategic planning and supervision to the department, staffs several committees and task forces, and administers several CIP projects.
- **The Division of Finance, Administration, and Special Projects (9.0 WYs)** administers DED's procurement and budget functions, and manages finances for the Economic Development Fund, the Business Innovation Network, and other special programs.
- **The Division of Marketing and Business Development (10.0 WYs)** conducts marketing, outreach, and other activities to attract new businesses and retain existing businesses.
- **The Division of Business Empowerment (11.0 WYs)** provides support services to the County's small- and minority-owned business community and staffs the County's five business incubators.
- **The Division of Agricultural Services (9.8 WYs)** supports the agricultural community, works to preserve the County's farmland, and staffs the Soil Conservation District and Cooperative Extension.
- **The Division of Workforce Services (6.0 WYs)** provides career services at One Stop Centers in the County (primarily through contracts) and offers recruitment services for employers.

MAJOR PROGRAMS AND ACTIVITIES FOR BUSINESS GROWTH AND EXPANSION

Among the three divisions responsible for strategies to develop and support County businesses, DED allocates a majority of its staff and resources to the following programs and activities:

The Business Innovation Network (the County's incubator program) provides office space at or below market rent, support services, priority access to financial assistance, and networking opportunities to serve emerging advanced technology, life sciences, and/or professional services companies. DED operates five incubators, located in Shady Grove, Silver Spring, Wheaton, Rockville, and Germantown, and plans to build a sixth incubator in the Fairland/White Oak area. In FY09, planned expenditures of $2 million for the program include operating expenses of $1.3 million and DED staff costs of $640K.

The Economic Development Fund is a fund that provides assistance to private employers. The Fund's revenue sources are: the County's general fund, loan repayments, investment income, and state grants. In FY09, loan repayments are expected to account for about 25% of the Fund's revenues. In FY09, planned expenditures of almost $2 million include $1.8 million for financial assistance and $122K in DED staff costs. Since it began in FY96, the Fund has assisted 242 businesses and disbursed nearly $28 million.

Marketing and Outreach Activities. DED engages in numerous marketing, networking, and business education activities, using a blend of in-house staff and contracts. These activities are designed to attract new businesses and retain or grow existing businesses. Some examples of these activities are: funding event sponsorships; participating in conferences and trade shows; organizing trade missions to other countries; and staffing various business task forces and committees.

CIP Projects. DED administers five projects, with scheduled FY09 expenditures totaling $5.7 million, in the current FY09-14 CIP. The current projects are: Life Sciences and Technology Centers, the Germantown Business Incubator (completed in Oct. 2008), a Music Venue in Silver Spring, Agricultural Land Preservation Easement, and Adventist Healthcare. DED is also exploring the feasibility of a multi-use sports arena.

MONTGOMERY COUNTY'S ECONOMIC DEVELOPMENT TAX CREDIT PROGRAMS

Montgomery County offers four tax credits to encourage qualifying businesses to locate or expand in the County. These tax credits are authorized in State law and implemented by local action in the form of a law, application, or Council Resolution. The Enterprise Zone tax credit was authorized in 1985; the New Jobs and Enhanced New Jobs tax credits in 1998; and the Arts and Entertainment District credit in 2002.

Tax credits are foregone property tax revenue that would otherwise be available to the County's General Fund. In FY08, these credits total approximately $3.4 million.

MONTGOMERY COUNTY'S ECONOMIC DEVELOPMENT STRATEGIC PLANS: 2004 AND 2008

In December 2008, the County Executive transmitted to the Council a strategic plan titled *A Vision for Economic Development in Montgomery County*. The document sets forth goals for DED and recommends action items for each goal. As currently written, the *Vision* does not include cost information or establish funding priorities among the dozens of action items listed.

The County's previous economic development strategic plan, (approved by the Council in 2004) had defined economic development more broadly to include transportation infrastructure, housing supply, and the general quality of County life. When County Executive Duncan transmitted the earlier strategic plan to the Council, he explicitly requested that the Council adopt the plan. In contrast, the 2008 *Vision* focuses on DED programs and projects, and does not include a specific request for Council action.

THEMES FROM OLO'S REVIEW OF STATE AND LOCAL ECONOMIC DEVELOPMENT STRATEGIES

OLO's assignment from the Council included research on "best practices" in state and local economic development. While OLO found little hard empirical evidence to demonstrate the efficacy of local government economic development programs, including those that are heralded as innovative and award-winning, OLO identified three themes across current local economic development programs:

Communities are making increasing use of the Internet to make economic development services readily available to businesses and entrepreneurs. Many state and local economic development organizations provide searchable market and demographic data on-line. For example, the website of Milwaukee 7 features an interactive map that allows users to search available land and buildings and view satellite images, street-level photos, listings of nearby businesses, and statistical data for specific properties.

Communities are adopting collaborative economic development strategies that involve joint multi-jurisdictional programming and/or greater coordination with the private sector. In many communities, economic development is a collaborative and/or regional effort. For example, "Select Greater Philadelphia" is a regional marketing organization that promotes corporate expansions and relocations in eleven counties in Pennsylvania, New Jersey, and Delaware.

Communities are targeting economic development programs to specific industries, populations or policies. Many strategies target resources to certain industries or disadvantaged populations. For example, the Bilingual Health Care Career Pathways Partnership in Chicago trains members of the Latino community to supply local health care providers with bilingual health care professionals.

OLO also found jurisdictions that are reevaluating their economic development programs or investments. New York State recently tightened eligibility and accountability standards for a longstanding business incentive program; the City of Concord, California discontinued its business incubator program; and the City of Lowell, Massachusetts is currently reassessing its business plan for a publicly-funded arena that has run a deficit each year since it opened in 1998.

RECOMMENDATIONS

The Office of Legislative Oversight offers five recommendations for Council action. The recommendations aim to enhance the Council's oversight of the County Government's economic development expenditures, and assist the Council to establish future funding priorities for the Department of Economic Development.

Recommendation #1: In making funding decisions, act with the knowledge that the outcomes of economic development programs are difficult to predict and measure.

The true impact of most state/local government economic development programs is very difficult to measure reliably. Despite this fact, the Council should continue to insist on measures of program costs and anticipated results. When presented with these data, OLO recommends the Council should consistently ask for the details behind the analysis (including all assumptions), and remain mindful that there is rarely going to be proof positive that a result occurred only because of the County Government's activities or investment.

Recommendation #2: Ask the County Executive for a companion document to the *Vision for Economic Development* that provides the costs of the action items and places them in priority order.

To enhance the value of the *Vision for Economic Development* as a tool for Council fiscal decision-making, OLO recommends that the Council ask the County Executive to provide a companion document that:

- Provides cost data on the action items, including estimates of any future year fiscal impacts;
- Clearly indicates which action items could be accomplished within DED's current allocation of resources and which require new funding; and
- Places the goals and specific action items in order of funding priority.

Recommendation #3: To prepare for FY10 budget worksessions, identify specific DED programs for closer scrutiny.

Assuming that the Council wants to focus its attention on the largest portions of the DED budget funded with County revenue, OLO recommends the Council, working collaboratively with the Executive, pursue a more detailed review of the total costs, outputs, and results (to the extent available) associated with the Business Innovation Network; the Economic Development Fund; the various DED contracts funded by local revenue; and DED's outreach and marketing activities.

Recommendation #4: Request a follow-up report that focuses on the history, current use, and administration of the County's four economic development tax credits.

In FY08, the value of the four tax credit programs that the County offers as incentives for qualifying businesses to locate or expand in the County totaled about $3.4 million. Given the Council's commitment to examining all expenditures during the upcoming budget season and given that tax credits translate into lost revenue to the County, OLO recommends the Council ask for a follow-up report on these tax credits.

Recommendation #5: Explore opportunities for increased Internet use, collaboration with outside partners, and greater targeting of economic development program dollars.

Based on a compilation of information about economic development programs around the country, OLO identified these three emerging themes in state and local practices. The County's Department of Economic Development already engages in each of these practices to some degree, yet OLO recommends that the Council use its budget oversight role to discuss further opportunities for the Department to create efficiencies in economic development spending.

Table 1: Incubator Network Overview and FY09 Costs and Revenues

		Shady Grove (MTDC)	Silver Spring	Wheaton	Rockville	Germantown	Total
A	**Year opened**	**1999**	**2004**	**2006**	**2007**	**2008**	
B	**Present Ownership**	County and MEDCO	County	County leases facility from Westfield	County and MEDCO	County sub-leases facility from Montgomery College	
C	**Ownership Condition**	County assumes sole ownership upon retiring debt in 2018	None	10-year lease, 3% annual escalation until 2014	County assumes sole ownership upon retiring debt in 2032	20-year lease, 3% annual escalation until 2026	
D	**Total Project Capital Cost**	$9.45 million ($850,000 in County funds)	$2.5 million ($900,000 in County funds)	$300,000 (All County funds)	$6.6 million ($900,000 in County funds)	$6.7 million ($2.95 million in County funds)	$25.55 million ($5.9 million in County funds)
E	**Facility Size**	56,000 sq.ft.	22,000 sq.ft.	12,000 sq.ft.	24,000 sq.ft.	33,000 sq.ft.	147,000 sq.ft.
F	**Total Cost**	**$1.761 million**	**$384,586**	**$456,753**	**$853,893**	**$1.193 million**	**$4.549 million**
G	**Total Revenue (H+I)**	**$1.911 million**	**$364,586**	**$468,753**	**$603,893**	**$812,901**	**$4.161 million**
H	**County Funding**	$653,275	$102,377	$341,218	$450,973	$427,915	$1.976 million
I	**Expected Revenue from Tenant Rent**	$1.258 million	$262,209	$127,535	$152,920	$384,986	$2.785 million
J	**Projected Year-end Balance (G-F)**	**$150,000**	**-$20,000 (85% occupied)**	**$12,000**	**-$250,000 (70% occupied)**	**-$280,000 (43% occupied)**	

Note: MTDC's surplus cannot be used to offset the loss of other incubator due to reserve requirement imposed by the Bond Trustee.
Source: Department of Economic Development

Table 2: Detail – FY09 Incubator Network Costs and Revenues

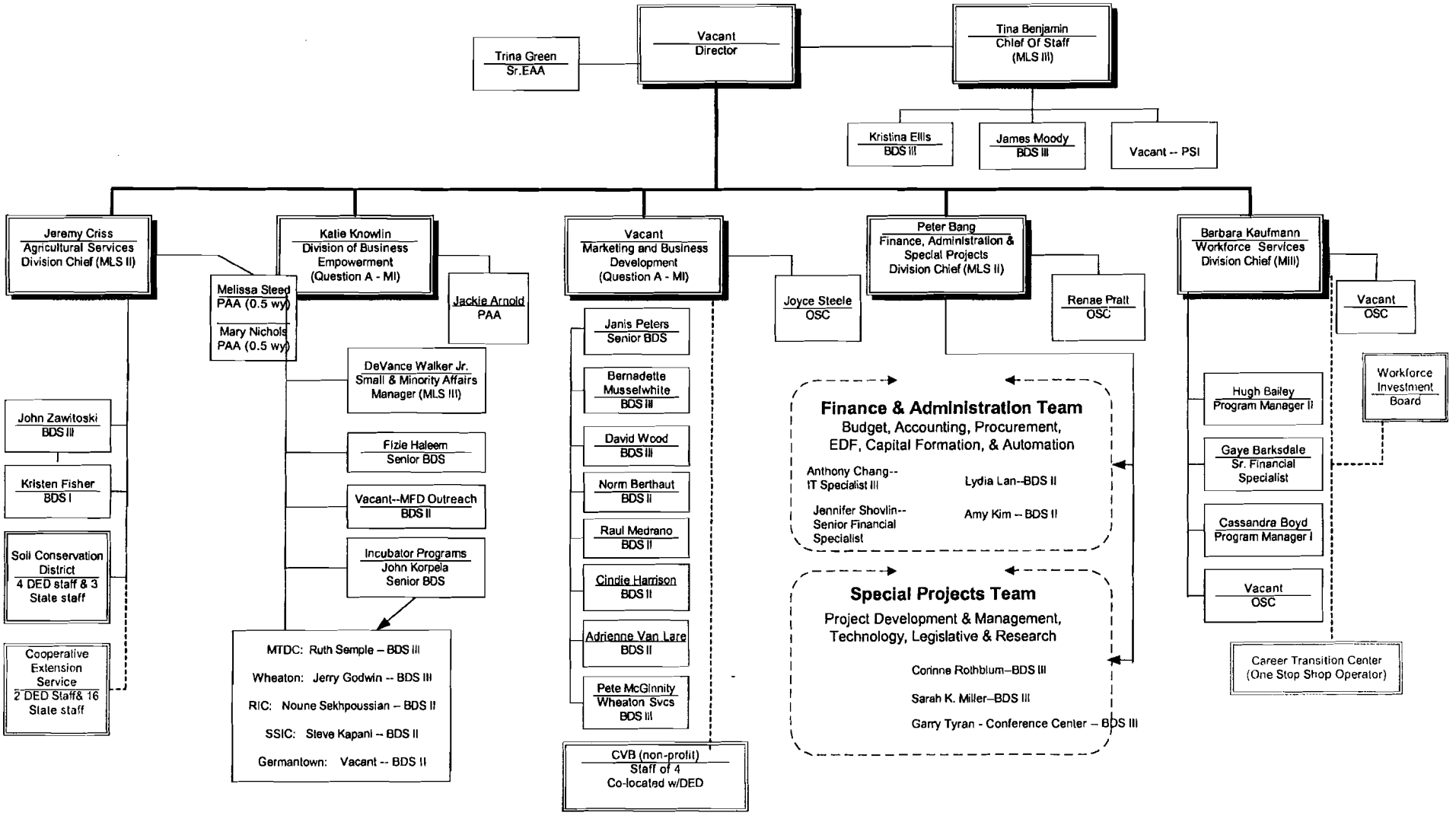
		Shady Grove (MTDC)	Silver Spring	Wheaton	Rockville	Germantown	Total
A	**Debt Service**	Approx. $460,000	None	None	Approx. $390,000	None	Approx. $850,000
B	**Lease Payment**	None	None	$230,000	None	Approx.$660,000	Approx. $680,000
C	**County Personnel Costs**	$253,275	$102,377	$100,778	$89,973	$94,045	$640,448
D	**Additional Operating Costs**	$1,047,653	$282,209	$125,975	$373,920	$338,856	$2.169 million
E	**TOTAL COST (F+G+H+I)**	**$1.761 million**	**$384,586**	**$456,753**	**$853,893**	**$1.193 million**	**$4.549 million**
F	**TOTAL County Funding (F+C)**	**$653,275**	**$102,377**	**$341,218**	**$450,973**	**$427,915**	**$1.976 million**
G	County Operating Grant	$400,000	None	$240,440	$361,0000	$333,870	$1.335 million
H	County Personnel Expense	$253,275	$102,377	$100,778	$89,973	$94,045	$640,448
I	**Expected Revenue from Tenant Rent**	$1.258 million	$262,209	$127,535	$152,920	$384,986	$2.785 million
J	**TOTAL REVENUE (F+I)**	$1.911 million	$364,586	$468,753	$603,893	$812,901	$4.161 million
K	**FY09 Year-end Projection (F+I-E)**	**$150,000**	**-$20,000 (85% occupied)**	**$12,000**	**-$250,000 (70% occupied)**	**-$280,000 (43% occupied)**	
L	***Rent Revenue @ full (95%) occupancy****	*$1.297 million*	*$268,501*	*$153,122*	*$424,637*	*$631,785*	*$2.775 million*
M	***Projected Year-end Balance at full occupancy***	*$189,347*	*-$13,708*	*$37,587*	*$21,717*	*-$33,201*	

*Revenue from rent paid by incubator tenants

Note: MTDC's surplus cannot be used to offset the loss of other incubators due to reserve requirement imposed by the Bond Trustee.

Source: Department of Economic Development

Department of Economic Development FY09 Organization Chart-51 Positions



FY09-10 CROSSWALK - CE REC

Economic Development

General Fund

Ref ID	Title	OMB Recommend PC	OE	CO	Total $	WY	FT	PT	Rev.Chg.	1xAmt
FY09 Original Appropriation		**5,077,990**	**2,970,590**	**0**	**8,048,580**	**44.6**	**48**	**3**	**-**	**-**
Maintenance Level Crosswalk										
M1	Increase Cost: Annualization of FY09 Personnel Costs	17,780	0	0	17,780	0.0	0	0	-	-
M2	Increase Cost: FY10 Compensation (BPREP Accumulator 113)	0	0	0	0	0.0	0	0	-	-
M3	Increase Cost: Annualization of FY09 Operating Expenses	0	0	0	0	0.0	0	0	-	-
M4	Decrease Cost: Elimination of One-Time Items Approved in FY09	0	0	0	0	0.0	0	0	-	-
M5	Increase Cost: Annualization of FY09 Lapsed Positions	0	0	0	0	0.0	0	0	-	-
M6	Decrease Cost: Retirement Incentive Program (RIP) Savings	(24,220)	0	0	(24,220)	0.0	0	0	-	-
M7	Decrease Cost: Central Duplicating Deficit Recovery Charge	0	(690)	0	(690)	0.0	0	0	-	-
M8	Technical Adj: Conference Center Position to DED	104,820	0	0	104,820	1.0	1	0	-	-
M9	Technical Adj: Conference Center Workyear and Expenses to NDA	(104,820)	0	0	(104,820)	(1.0)	0	0	-	-
M18	Technical Adj: Workyear adjustment to tie to BPREP	0	0	0	0	0.1	0	0	-	-
M99.A	Increase Cost: Retirement Adjustment	5,660	0	0	5,660	0.0	0	0	-	-
M99.B	Increase Cost: Group Insurance Adjustment	4,720	0	0	4,720	0.0	0	0	-	-
M99.D	Increase Cost: Service Increment	53,330	0	0	53,330	0.0	0	0	-	-
M99.E	Increase Cost: Motor Pool Rate Adj. (Load in subobj 3300)	0	770	0	770	0.0	0	0	-	-
M99.Ha	Decrease Cost: Records Management Adj. (Load in subobj 3120)	0	(20)	0	(20)	0.0	0	0	-	-
M99.Hb	Increase Cost: Inter-Office Mail Revenue Adj (Load in subobj 3160)	0	250	0	250	0.0	0	0	-	-
M99.Hc	Increase Cost: Printing Charges Adj. (Load in subobj 3149)	0	1,860	0	1,860	0.0	0	0	-	-
M99.Hd	Decrease Cost: Mail Charges Adj. (Load in subobj 3198)	0	(1,010)	0	(1,010)	0.0	0	0	-	-
	Subtotal	**57,270**	**1,160**	**0**	**58,430**	**0.1**	**1**	**0**	**-**	**-**
Reduction Items										
R1	Eliminate: Vacant Positions - Business Empowerment	(161,240)	0	0	(161,240)	(2.0)	(2)	0	-	-
R2	Eliminate: Intellectual Property Center Program	0	(80,000)	0	(80,000)	0.0	0	0	-	-
	Subtotal	**(161,240)**	**(80,000)**	**0**	**(241,240)**	**(2.0)**	**(2)**	**0**	**-**	**-**
Additional Reduction Items										
D1	Shift: Personnel Costs for Agricultural Services to CIP (788911)	(69,200)	0	0	(69,200)	(0.4)	0	0	-	-
D2	Shift: Costs for Weed Control from the General Fund to CIP (788911)	0	(10,000)	0	(10,000)	0.0	0	0	-	-
D3	Shift: Deer Donation and Ag Initiatives from General Fund to CIP (788911)	0	(30,000)	0	(30,000)	0.0	0	0	-	-

50

FY09-10 CROSSWALK - CE REC

Economic Development — General Fund

Ref ID	Title	OMB Recommend PC	OE	CO	Total $	WY	FT	PT	Rev.Chg.	1xAmt
D5	Decrease Cost: Cost to Incubators – Reduce Operating Subsidy for MTDC and Rockville Incubators	0	(106,290)	0	(106,290)	0.0	0	0	-	-
D7	Shift: Allocate 15% of Workforce Services Senior Financial Specialist to Administrative Grant under WIA	(17,340)	0	0	(17,340)	(0.2)	0	0	-	-
D8	Decrease Cost: Abolish - Vacant Office Services Coordinator Postion	(70,260)	0	0	(70,260)	(1.0)	(1)	0	-	-
D9	Decrease Cost: Reduce World Trade Center Institute (WTCI) Sponsorship and Some Activities	0	(15,000)	0	(15,000)	0.0	0	0	-	-
	Subtotal	**(156,800)**	**(161,290)**	**0**	**(318,090)**	**(1.6)**	**(1)**	**0**	**-**	**-**
Competition List Items										
C1	Add: Greater Washington Initiative Funding	0	25,000	0	25,000	0.0	0	0	-	-
C4	Increase Cost: Germantown Business Incubator- To sustain operating costs	0	50,000	0	50,000	0.0	0	0	-	-
C5	Increase Cost: Rockville Innovation Center- To sustain operating costs	0	50,000	0	50,000	0.0	0	0	-	-
C6	Increase Cost: Wheaton Innovation Center- Increase in rent	0	34,830	0	34,830	0.0	0	0	-	-
	Subtotal	**0**	**159,830**	**0**	**159,830**	**0.0**	**0**	**0**	**-**	**-**
Base Budget										
B1	Decrease Cost: Lapse	(50,000)	0	0	(50,000)	(0.5)	0	0	-	-
	Subtotal	**(50,000)**	**0**	**0**	**(50,000)**	**(0.5)**	**0**	**0**	**-**	**-**
	FY10 TOTAL RECOMMENDATION:	**4,767,220**	**2,890,290**	**0**	**7,657,510**	**40.6**	**46**	**3**	**-**	**-**

51

FY09-10 CROSSWALK - CE REC

Economic Development

Grant Fund - MCG

Ref ID	Title	OMB Recommend PC	OE	CO	Total $	WY	FT	PT	Rev.Chg.	1xAmt
FY09 Original Appropriation		**75,790**	**2,624,210**	**0**	**2,700,000**	**1.0**	**1**	**0**	**-**	**-**
Maintenance Level Crosswalk										
M1	Technical Adj: Abolish grant funded position from Workforce Services and shift expenditures to operating expenses under Workforce Investment Act (WIA)	(75,790)	75,790	0	0	(1.0)	(1)	0	-	-
	Subtotal	**(75,790)**	**75,790**	**0**	**0**	**(1.0)**	**(1)**	**0**	**-**	**-**
MARC Crosswalk										
T1	Enhance: Workforce Investment Act funded wth Federal Economic Stimulus Grant Funds	0	1,169,860	0	1,169,860	0.0	0	0	1,169,860	1,169,860
T1.a	Enhance: Summer Youth Employment Program funded with Federal Stimulus Youth Workforce Grant Funds (programmatic use dependent upon regulatory guidelines yet to be established by U.S. DOL and MD DLLR)	0	170,000	0	170,000	0.0	0	0	170,000	170,000
T2	Shift: Allocate 15% of Workforce Services Senior Financial Specialist to Administrative Grant under WIA	17,340	0	0	17,340	0.2	0	0	-	-
T2.a	Shift: Decrease in Operating Expenses to Allocate 15% of Workforce Services Senior Financial Specialist to Administrative Grant under WIA	0	(17,340)	0	(17,340)	0.0	0	0	-	-
	Subtotal	**17,340**	**1,322,520**	**0**	**1,339,860**	**0.2**	**0**	**0**	**1,339,860**	**1,339,860**
	FY10 TOTAL RECOMMENDATION:	**17,340**	**4,022,520**	**0**	**4,039,860**	**0.2**	**0**	**0**	**1,339,860**	**1,339,860**

FY10 Operating Budget
Department of Economic Development
Information Requested
Submitted: April 8, 2009

Department

Provide an Organizational Chart of the Department.

Attached

Marketing and Business Development

1. *Provide a description for the $25,000 added for the Greater Washington Initiative*

   The Greater Washington Initiative is a regional organization charged with promoting the Greater Washington area as an ideal location for locating or expanding business. The County has been a funding partner in the past, but eliminated funding in FY06 because of budgetary pressures. However, during the current fiscal year, GWI has reached out to the County to develop future strategies to better market the County's assets in bio-science, IT, and nanotechnology. With its new Executive Director Matt Erskine, GWI has been focusing on developing a more focused localized marketing program based on the profiles of member counties, within the framework of regional marketing. The County Executive was presented by the GWI, and believes that the renewed partnership will benefit the County.

   The funding is only a fraction of the $125,000 that the County contributed in the past, but the $25,000 is an appropriate level of support to begin rebuilding the partnership effort. With very limited marketing funds in DED, the $25,000 appropriation will provide access to GWI's important contacts and services to help market the County.

2. *Provide a description of the proposed FY10 Marketing Plan and highlight any major changes in the program.*

   1) DED is currently finalizing its marketing and business development plan for FY10. The details on focus areas, selected means of data gathering, trade show/convention attendance, networking and partnership events, ad placement plan, and associated costs will be finalized in early May, 2009.

3. *Provide a description of the FY09 Marketing Program accomplishments and on how the marketing funds were spent.*

   The department marketed Montgomery County in a variety of coordinated ways during FY09. The Division of Marketing and Business Development took the lead in developing marketing and advertising. A number of printed collateral pieces were developed during the period. A full-color, glossy piece to attract direct foreign investment was created prior to the County's business development mission to China and South Korea in October, 2008. The piece highlights the assets that make the County attractive to international companies. In addition, testimonials from two of the businesses featured in the "I Am Montgomery" advertising and marketing campaign were included.

Another full-color, glossy piece was produced to market the County's Business Innovation Network of incubators. The brochure features photographs of the facilities and highlights features unique to each of the five facilities. Now in its third printing, the brochure is a popular and important tool used by all Incubator staff.

A number of ad placements were made during the fiscal year. These are itemized in the table below.

Vendor	Amount	Description
Gazette	6,232	AT&T Ads, Leadership Montgomery
Gazette	7,500	AT&T National Preview
Conway Data Inc.	2,880	Site Selection - Mid Atlantic Regional Review
Conference & Visitor's Bureau	2,500	Full Page Ad - Visitor's Guide
Gazette	1,760	Inside Rockville
Gazette	5,020	Inside Montgomery, Workforce Development (2 ads)
Mid-Atlantic Real Estate	295	1/2 page ad
Gazette	6,500	Market Facts and Market Facts Sponsorship
Gazette	2,800	MD Business Champions
Gazette	2,800	MD Bioscience Champions
Gazette	555	Quarter-page (paper)
Gazette	555	Quarter-page (paper)
Maryland Life	1,600	Half-Page in special 2009 Bio conference issue
Washington Chinese Gazette	600	Series of 10 color banner ads
Minority Business and Consumer Directory	750	1/2 page ad
Total	**42,347**	

The majority of advertising was done in the locally based Gazette of Business and Politics. A few of the full-page ads that ran in the noted supplements featured some of the larger "I Am Montgomery" companies, but—since the publication is local—many of them were used to reach out to the County's business community regarding the Business Innovation Network, the Micro-Enterprise Loan Program and the 2008 annual workforce awards breakfast.

The department made inroads in FY09 into taking the County's message to a broader audience, nationally and globally. The department was able to get a deeply discounted rate for a half-page ad in Site Selection Magazine, as national publication that targets one of the department's principal audiences. Mid-Atlantic Real Estate Magazine reached out to the department in January, and offered a special rate for a placement in their annual economic development edition. DED received a three-quarter page placement in addition to editorial content that wrapped around the ad.

Finally, Maryland Life Magazine, a full-color lifestyle magazine with a focus on business offered a discounted rate on an ad to be placed in a special edition of the magazine that will be distributed at the 2009 Bio International Convention in Atlanta, Georgia in May. The department is partnering with the Maryland Department of Business and Economic Development to have a presence at the convention, and a DED presence in the magazine, which will be distributed there, will increase the County's visibility to international convention attendees.

4. *Provide FY09 accomplishments and updates and FY10 Budget figures for the following and how proposed FY10 funding compares to FY09 funding (include funding of other events/entities not listed)*

AT&T National – Tiger Woods Golf Classic
FY09 Budget - $30,000
FY09 Cost - $57,500 (DED $37,500 and the State DBED grant for $20,000)
FY10 Budget - $30,000

As a Skybox Hospitality Sponsorship sponsor, the County receive:

a. Twenty-Five (25) Skybox credentials each day (100 total). Thursday – Sunday (good for admission to the Skybox & grounds areas).
b. Full lunch service, afternoon hors d'oeuvres, and beverage service provided from 11:00 am until play ends each day (Thursday – Sunday).
c. Two (2) staff badges (clubhouse & grounds, good Wednesday – Sunday).
d. Fifteen (15) hospitality parking credentials each day (Thursday – Sunday).
e. Complementary tournament programs and daily pairings guides.
f. Opportunity to purchase an additional eight Skybox credentials each day (Thursday – Sunday) at a cost of $200 per ticket.
g. Two (2) total complimentary invitations to the 2009 Media Day Press Conference and Golf Outing (date TBD).

Since Tiger Woods will be playing in this year's event, we expect the economic impact of the event to be in the range of $20-$25 million. Detailed economic impact analysis will be performed upon conclusion of the event, and upon submission of the attendance record from the tour organizer.

Biotechnology Annual Event – Atlanta, Georgia
FY09 Budget - $75,000,
FY09 Estimate - $70,000
FY10 Budget - $75,000

DED expects to generate over 250 leads during the three day event, and 40 individual pre-arranged business partnering meetings. Full outcomes will be available in mid-June 2009.

International Trade Missions
FY09 Budget – $38,000
South Korea/China Mission in October, 2009

In October 2008, DED undertook a CE-led international business development mission to South Korea and China. Four DED staff and 20 County-based businesses participated in the mission. The mission:

- Promoted Montgomery County as the SMART location for Chinese and Korean companies seeking strategic opportunities in North America;
- Developed partnerships with the Korea Health Industry Development Institute (KHIDI), the body responsible for setting and implementing Korea's life sciences policy; and with Pudong, China's fastest growing local economic region.

- Held events and private meetings attended by over 165 companies in Korea and 90 in China.

Updates: DED continues follow up on key leads generated from the mission. In March DED received a reciprocal delegation visit from Suzhou municipality (CHINA). In May, DED will meet again with Simcere Pharmaceuticals, one of China's largest pharma companies.

India trade mission in February, 2009
Pradeep Ganguly participated in the Global IT Opportunities session at the IndiaSoft 2009 conference, marketed the County, and conducted interviews on behalf of the State Department of Business and Economic Development to identify an individual to represent the State of Maryland in India. The trip was partially funded by the Department of Business and Economic Development for $1,500. Total costs for the trip were approximately $3,500; however, the audit office is still reviewing the costs, and the total amount of the trip will be determined before the end of April.

BIO/Med Conference, Tel Aviv Israel, June, 2009
FY09 Budget: $2,500 (for staff travel, per diem and incidentals)
FY10: TBD

For the first time, DED was able to renegotiate the terms of the Community Empowerment Grant with the recipient to alter part of the scope of services and budget line items to implement a scope of services that DED believed is necessary to achieve the desired outcomes. DED has included, under contract with the MIDC (Maryland Israel Development Center—recipient of $25,000 in FY09), BIO MED program. Following is an excerpt from the contract:

- The Contractor must partner with the County at the Israel BIOMED Conference in June, 2009 in Tel Aviv. The Contractor must provide booth space for the County to exhibit and greet visitors and provide a full conference registration for a County Department of Economic Development staff member to participate. The County is responsible for all non-local travel expenses for County employees attending the Conference. The Contractor must, on behalf of the County, provide and coordinate through its Israeli consultant, Trendlines, at least 15 meetings during the Conference with Israeli companies who are considering a U.S. presence and/or Israeli companies that currently have joint locations in Israel and Montgomery County.

World Trade Center Institute
FY09 Budget: $25,000, FY09 Cost: $25,000
FY10 Budget: $10,000

WTCI, the largest international business network in the Mid-Atlantic region and host of Maryland's premier international business events, has been a key county partner for the past several years. In FY09, DED partnered with WTCI on Embassy Day, the organization's signature event, held annually at the Marriott Conference Center. This year's event attracted:

- 550 local/regional business; and
- Diplomats from 75 foreign embassies.

Updates: In addition to Embassy Day, WTCI continues to expand its presence in Montgomery County. They have held a number of international networking events here, including:

- "Taste of" Series (Taste of Business in Ireland) Feb 09
- Presidents' Series (President's Circle with Pradman Kaul of Hughes Network Systems) Apr 09

WTCI continues to expand its outreach to the County's Business Innovation Network and has seen significant increases in BIN tenant membership.

Chinese Biopharmaceutical Association (CBA)

In FY09, DED partnered with CBA to assist in laying the groundwork for the County's China-focued business development activities. CBA was founded 13 years ago in Montgomery County by Chinese scientists, researchers, and professors. The organization now has a national membership, although its strongest base is here in Montgomery County. The organization is committed to facilitating biopharmaceutical-focused collaborations between the U.S. and China. DED Partnership with CBA includes:

- Participation at annual conference (Guangzhou Fall 2009)
- CBA's unique position to serve as one of our key bio links to China.
- Access to expertise of CBA members, many of whom pursue parallel careers/businesses in the U.S. and China and are connected with the top officials at bio parks across China.

Updates: CBA continues to contribute to our China-focused business development activities.

- In December 2008, CBA member and President of Germantown-based Sirnaomics, Patrick Lu joined DED in hosting a delegation from Suzhou Industrial Park (SIP).
- CBA facilitated a second visit of SIP officials to the Maryland Technology Development Center (MTDC) in March 2009.

Economic Advisory Council (EAC)

FY09 Budget: $0
FY09 Costs: under $500 for refreshments during meetings
FY10 Budget: $0

The Montgomery County Economic Advisory Council (EAC) was created in 1981 to advise the County Executive on economic development matters, and fiscal, management and budgetary issues. EAC helped shape County's economic development strategies and policies in the past. It was instrumental in developing strategic plans for economic development, attracting Johns Hopkins University and the University of Maryland to the County, and stimulating the formation of the County's High Technology Council and Conference and Visitors' Bureau.

Despite these accomplishments, the EAC's role has become limited in recent years. The County Executive decided to re-institute EAC in December, 2008 in order to keep with his commitment to engage all segments of the County's business community in shaping economic development strategies and policies. The revamped EAC's roles and responsibilities are different than those of the past. The County Executive expects the current EAC to filter the ideas or recommendations from various task forces and business groups to County leadership. In addition to these duties, EAC undertakes such assignments and programs as designated by the County Executive. Since the EAC addresses sensitive issues, all EAC discussions are kept confidential.

The EAC is comprised of 28 members who represent a cross-section of the County's businesses. It meets every other month for one and a half hour, and is chaired by Sol Graham, President and CEO of Quality Biological, Inc. EAC had the first meeting on January 29, 2009 and the second meeting on March 31, 2009. The next meeting is scheduled for May 7, 2009.

Technology Council of Maryland (TCM)

FY09 Budget: $25,000,
FY09 Cost - $30,000 (Includes the purchase of dues payment for the Incubators Tenants for $5,000)
FY10 Budget: $30,000

Following services are required as a part of the contract with TCM for $30,000.

1. The TCM must provide the County with three (3) complementary passes to use interchangeably between DED staff and staff of incubator companies, and/or access to all TCM seminars, events, etc., for the duration of this Contract and any renewal terms including events taking place in Montgomery County, Maryland. In addition,

    a. The TCM must provide two 2) complementary passes to the Leadership dinner in Annapolis.
    b. The TCM must provide three (3) complementary passes for the CIO/CTO dinner.
    c. The TCM must provide three (3) complementary passes for the Holiday Ball.

2. The TCM must allow the County to display promotional literature at their Montgomery County events for the duration of this Contract and for any renewal term.

3. The TCM must provide the County with a list of attendees including name, organization, phone, address and email for each of the Contractor's events taking place in Montgomery County, and must provide the list on a monthly basis. The County commits to using these lists solely for internal purposes, and will not share it externally. The County will provide the TCM with a list of the incubator tenants on a monthly basis, and the TCM commits to using the list solely for internal purposes and will not share it externally.

4. The TCM must allow the Director of DED to attend the Contractor's Council's Board of Directors meetings, and must give at least one week's prior notice to the County of the date of the Board of Directors meetings.

5. The County must be given recognition on Montgomery County specific publications and materials (electronic or print version), which are produced by the Contractor. This may include brochures at events, promotional web pages and signage where appropriate

6. The TCM must provide the County with three (3) complimentary tickets to the annual MD Bio Forum in a timely way to allow for appropriate registration procedures.

7. The TCM must provide the County with a full table to the Contractor's Annual Awards Dinner. The TCM must formally invite the County Executive and incorporate the County Executive into the program upon request by the County when the event takes place in Montgomery County.

Biosciences Task Force
FY09 Budget: $0
FY09 Costs: under $500 for refreshments during meetings
FY10 Budget: $0

The Biosciences Task Force was established by the County Executive in early FY09. It is chaired by former MedImmune CEO David Mott, and is comprised of 35 biotechnology CEOs and academic and federal research institution leaders, as well as representatives from the Maryland Department of Business and Economic Development and Tech Council of Maryland. The group's charge is to recommend direction, strategies and actions to help the County leverage its assets more effectively to become a global leader in life sciences, clinical research, and translational research and product delivery.

The Task Force has met three times to date, and sessions have included expert presentations and group discussions. In the first session, task force members discussed the County's strengths and assets, as well as weaknesses that impede its ability to achieve the vision articulated above. The second session addressed technology transfer and commercialization, and the perceived challenges of working with federal and academic tech transfer offices. The third session examined the key elements that contribute to the type of dynamic, entrepreneurial environment that has made the bioscience clusters in California and the Boston area so successful. Task force members identified a risk-averse, regulatory-oriented culture, dependence on government funding for R&D and a lack of serial entrepreneurs and seasoned management teams as key issues that need to be addressed to enhance the County's biotech community.

Task force members are currently working with DED staff to craft a strategy to address these weaknesses and leverage the County's strengths, and expect to have a final, vetted strategy by September, 2009.

Green Initiative Task Force
FY09 Budget: $0,
FY09 Cost: $42,500 for consultant
FY10 Budget: $0

In mid-FY09, the County Executive appointed a Green Economy Task Force to create a green economic development strategy. Task force members include business, financial and academic leaders, elected officials and members of professional organizations. The task force is chaired by Dick Wegman, an attorney and long-time advocate of environmental issues.

The Green Economy Task Force will provide expert guidance and input as the County organizes and targets proper investments, policies and partnerships that will nurture its nascent green industry cluster. This strategy will generate economic, environmental and social value for the County's businesses, residents and the region as we combat climate change and protect natural resources and ecosystems worldwide. The task force's work is coordinated with the Sustainability Working Group's Climate Action Plan.
The task force is staffed by County employees in the Department of Economic Development and the Department of Environmental Protection. In addition, the County has hired a small

team of consultants who were chosen through an RFP process last fall. The FY09 cost is $42,500 to retain the consultant. It is anticipated that this amount will be sufficient to complete the Green Economy Task Force's work.

Business Empowerment

1. *Provide information on the status of all incubators: ownership structure, funding sources, county staffing, programs, expenditures, tenant information (Number of tenants, business type, length of stay, location after graduating, MFD data), etc.*

   Most of the Incubator Network related information has been already provided to the Council for the OLO report.

Workforce Services Division

1. *Summarize Workforce Development programs and accomplishments for FY09*

   Services are provided to individuals and businesses. Accomplishments for individuals include:
   a. MontgomeryWorks delivery system is on track to provide services to more than 13,000 job-seekers in FY09
   b. Providing more than 250 ex-offenders with work skills necessary to seek re-entry employment opportunities thus providing them with the chance to avoid committing future crimes. This work has been supported by a grant from the Governor's Office on Crime Control and Prevention, which expires this year. Efforts are underway to gain support from other sources.
   c. Obtained a grant from DLLR to work with HHS on providing subsidized employment for a number of recipients within the Temporary Assistance for Needy Families (TANF) program.
   d. Anticipating moving the MontgomeryWorks LakeForest One-Stop Career Center to the Upcounty Regional Center by the end FY 09. This will provide more space to the center, while saving rent payments.

   Accomplishments for businesses include:
   a. More than 458 businesses have received workforce-related business services as of February 2009.

2. *Describe the Workforce Development program proposed for FY10, and the plans for Federal stimulus funds.*

   The programs offered through the Workforce system serve:
   a. Dislocated workers – mostly workers that have been laid-off from their jobs and are looking to re-enter the workforce with existing skills or re-enter workforce after assistance with an upgrade in their skills;
   b. Adults – mostly job seekers with significant barriers to unemployment many with limited work history or education.
   c. Youth – youth aged 16 – 21 that are low-income and require employment on a full-time or seasonal basis; and businesses that need to find, retain, and train employees.

   The economic stimulus funds are to be received one-time in the amount of $1,301,993 in FY09. A supplemental request has been submitted to the Office of Management and Budget, and will be scheduled with the Council as soon as possible to appropriate the funds so they may be encumbered and spent. An amendment to the FY10 budget was also included in the

supplemental appropriation to reduce the grant fund by the amount that was reported to the County at the time of the FY10 budget publication.

The County has until June 30, 2011 to expend the funds, but the expectation is that the funds will be used more quickly. One of the activities will be to provide summer work experiences to youth, ages 14-24. (The economic stimulus legislation raised the age of youth from 21 to 24). Funds for adults and dislocated workers will be used to expand training and other services provided at the County's One-Stop Career Centers.

3. Identify all Workforce Development funding sources for FY10.

FEDERAL WORKFORCE INVESTMENT ACT FUNDS (ESTIMATED)	$1,526,300
EARLY INTERVENTION (STATE/FEDERAL)(ESTIMATED)	151,400
MARYLAND BUSINESS WORKS (FEDERAL)	47,000
DISABILITY NAVIGATOR (FEDERAL) (ESTIMATED)	156,860
RAPID RESPONSE (FEDERAL) (ESTIMATED)	5,000
MD SUMMER YOUTH (STATE/FEDERAL) (ESTIMATED)	9,518
TOTAL	$1,896,078

MONTGOMERY COUNTY FUNDING	
GENERAL ONE-STOP ACTIVITIES	122,000
ONE STOP FACILITIES	122,100
SALES & SERVICE CENTER	160,000
COUNTY GANG PREVENTION CONTRACTED POSITION	62,500
YOUTH PROGRAM	50,000
SUMMER YOUTH EMPLOYMENT	50,000
TOTAL	$566,600

AG Services

1. *Explain the shifting of costs to the Ag Easement CIP, especially the legal justification for charging the fund for the Week Control and Deer Donation programs.*

The Agricultural Services Division portion of the DED operating budget is 12.6 % of the total and it is appropriate for the Ag Services Division to contribute to the County Executive's 10 % savings mandate for the FY 2010. With these percentages in mind, the County Executive proposes the shift of certain agricultural programs from the operating budget to the Ag Easement CIP. The state law requires that Agricultural Transfer Taxes be used by Counties to purchase agricultural easements and that only 10 percent of the annual fund balance can be used for administrative expenses for the program. In the early 1990's Montgomery County began to exceed the 10 percent threshold and this outcome contributed to a change in County Policy. Prior to 1994, the investment income from the Agricultural Transfer Tax went to the County General fund and was used for all county government expenses. Starting in 1994 the investment income was applied back to the CIP project with the Agricultural Transfer Taxes. The investment income for the project has been used over the years for easement purchases,

1997 drought assistance, and administrative expenses addressed through the MOU between DED and OMB. DED is currently working on a new MOU between OMB and the department that will change the policy and expand the use of investment income beyond the administrative costs and help us to maintain the level of service for agricultural programs while reducing the impact on the general fund. There are no legal constraints with the use of investment income for agricultural initiatives.

Ag Services is comfortable with including Deer Management and Weed Control because both of these programs fit in with the objectives to support agricultural initiatives within the County. Additionally, the alternative that the department is facing was the possible elimination of the programs all together or agricultural services staff, and the decision to shift the program provides the department with the opportunity to continue these important and required and contractual services without impacting the general fund. Again, prior to 1994, the investment income of amount of $7.7 million funded everything from County roads to County schools so there should be no question as to the specific use of the investment income, which will be directly tied to agricultural initiatives.

Additional information attached to packet.

2. *Provide a status report on the Deer Management Program*

The Deer Donation Program encourages an increased, productive deer harvest by giving farmers and hunters a convenient place to drop off deer taken above and beyond what can be stored for personal use. The program was developed in response to farmer and hunter input that articulated the need for a deer donation or processing location within the County along with public safety concerns related to the growing number of deer in the County due to the off balance ratio of predator to prey. As of 2009, cars and trucks are the largest threat to deer in Montgomery County. The deer population has been able to proliferate at a very rapid rate with the availability of food sources even during the winter months when food resources are normally scarce and the natural habitats for predators has eroded with increased development.

The program is entering its fifth year of operation, and continues to grow successfully as more farmers and hunter opt to hunt and donate more deer, thus providing a valuable service to local food banks, which are experiencing decreased levels of donations because of the economy. As of February, 2009, the number of deer donated to the program is 150, which equates to approximately 6,000 pounds of donated deer meat to food banks.

Deer Donation Program - Deer Collected and Pounds of Venison Donated		
2004-2005 Season	39 deer	1,560 pounds
2005-2006 Season	51 deer	2,040 pounds
2006-2007 Season	85 deer	3,400 pounds
2007-2008 Season (through January 7, 2008)	197 deer	7,880 pounds
2008-2009 Season (through February 4, 2009)	150 deer	6,000 pounds

Finance, Administration, and Special Projects

1. *Explain the cost decrease of $106,290 for MTDC and Rockville and the operating cost increase of $134,830 for the incubator program.*

   The department had requested as part of the FFI process additional funding support for the incubators to cover increased rent costs and operating expenses. The County Executive recommended increasing the Wheaton Innovation Center budget by $34,830 to cover increased rent costs at the facility per the terms of the lease with Westfield. In addition, the County Executive recommended an additional $50,000 each for the Rockville Innovation Center and the Germantown Innovation Center to offset the increase in operating costs. The increased appropriation will cover the increased operating costs.

   The $106,290 reduction in the incubator results from DED displacing two out of five tenant services coordinators (Contractor positions) that provide front desk and administrative support to the Incubator tenants and County program staff at each of the five facilities. Currently, these contract positions, hired through the management company, were paid from the revenues of the respective incubator. Instead of displacing DED administrative staff to meet the required FY10 savings plan, DED recommended eliminating two contract positions while holding back corresponding budget savings from the incubator grants. DED will transfer two existing office services coordinators to fill the void.

Office of the Director

1. *Explain the large amount of miscellaneous adjustments at $247,520 within this division.*

   This adjustment reflects the transfer of two positions from the Marketing and Business Development Division to the Director's Office. The transfer included two positions that are responsible for the department's overall public information and communications outreach with the public, other County agencies, and the County Council. Previously, the function of these two positions was contained in Marketing and Business Development; however, the department shifted the positions to ensure that public information was provided centrally through the Director's Office, and in close coordination with the County's Public Information Office.

Conference Center

1. *Provide a chart of expenditures and revenues budget for FY10 and estimated expenditures/revenues for FY09, and the actual expenditures/revenues for FY08.*

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 Pd 7 and $257,670 in Pd 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.

Conference and Visitor's Bureau

1. *Provide copies of the Conference and Visitor's Bureau's Annual Report for 2008, and FY10 Proposed Budget.*

   See attached.

2. *Provide a chart of expenditures and revenues (including funding sources) budgeted for FY10, and estimated expenditures/revenues for FY09, and actual expenditures/revenues for FY08.*

NDA - Conference and Visitor's Bureau - 993006001

Operating Expenses	Sub-Object Code	FY08 BUDGET	FY08 EXPENSES	**FY09 BUDGET**	**FY09 EXPENSES**	**FY10 BUDGET**
3.5% projected amount	2096	644,350	714,011	**695,450**	**349,173**	**692,650**
Supp. Appropriation for Revenue above FY07 MARC		32,440	32,440	-	-	-
Total		676,790	746,451	**695,450**	**349,173**	**692,650**

CE Recommended Budget included a $2,800 decrease based on Finance's projection for total revenue in FY10

Conference and Visitors Bureau of Montgomery County, Maryland

Fiscal Year 2010 Budget - DRAFT

REVENUES	FY 2008 Actual	FY 2009 Projected	FY 2009 through 1/09	FY 2010 Projected	Inc/Dec
Public Revenues					
Occupancy Tax	$620,897.62	$695,450	$329,235.05	692,650	($2,800)
MD Office of Tourism Grant	$91,469.50	$55,000	$26,521.50	$55,000	$0
AT&T Tournament Grant	$19,300.00	$0	$0.00	$0	$0
Supplemental Funding	$0.00	$0	$0.00	$0	$0
Private Revenues					$0
Membership Dues	$32,823.00	$30,000	$30,191.73	$30,900	$900
Membership Events	$2,420.00	$5,000	$225.00	$5,200	$200
Miscellaneous Income	$16,831.73	$1,500	$7,989.46	$1,500	$0
Visitor Center Revenues					$0
Souvenir Sales	$471.22	$3,000	$608.68	$3,000	$0
Marketing & Promotions Revenues					$0
Hotel Reservation Service Commissions	$121,575.50	$45,000	$111,652.34	$75,000	$30,000
Cooperative Trade Shows	$41,065.00	$9,900	$10,430.00	$9,900	$0
Coop Advertising/Print	$9,798.00	$14,500	$10,530.00	$10,000	($4,500)
CVB Collateral Advertising	$17,275	$40,000	$3,350.00	$35,000	($5,000)
Advertising Revenues on CVB website	$0	$3,000	$0.00	$3,000	$0
TOTAL REVENUES	$973,326.57	$902,350	$530,733.76	$921,150	[illegible]
EXPENSES	**FY 2008 Actual**	**FY 2009 Projected**	**FY 2009 through 1/09**	**FY 2010 Projected**	**Inc/Dec**
Accounting/Payroll Services	$25,505.54	$23,000	$17,823.69	$27,000	$4,000
Advertising and Advertising Production	$204,584.00	$181,800	$48,564.75	$178,990	($2,810)
Brochure Distribution	$250.00	$0	$0.00	$3,000	$3,000
Consulting/Management	$0.00	$1,000	$0.00	$1,000	$0
Depreciation	$3,016.00	$2,000	$0.00	$2,000	$0
Dues/Subscriptions	$7,337.00	$9,389	$2,429.00	$7,000	($2,389)
Equipment/R&M/ADMIN	$856.00	$1,700	$9,149.10	$1,700.00	$0
Equip/R&M/VIC	$1,941.79	$2,700	$1,577.73	$2,700	$0
Insurance/Commercial & Board	$2,903.95	$3,000	$1,090.25	$3,000	$0
Insurance/Health	$24,416.25	$26,857	$13,148.25	$28,000	$1,143
Legal Counsel	$0.00	$2,000	$0.00	$2,000	$0
Maintenance/ADMIN	$5,165.31	$22,000	$3,538.00	$21,809	($191)
Maintenance/VIC	$2,926.71	$3,900	$2,601.52	$3,900	$0
MINT Convention Database Subscription	$5,136.00	$500	$0.00	$0.00	($500)
Miscellaneous/Mileage/ADMIN	$11,077.58	$8,500	$2,878.78	$8,500	$0
Miscellaneous/Mileage/VIC	$0.00	$100	$0.00	$100	$0

Pilot Marketing Program	$67,473.60	$75,000	$19,027.21	$60,000	($15,000)
Postage/Shipping/ADMIN	$23,529.97	$25,000	$916.90	$17,000	($8,000)
Postage/Shipping/VIC	$672.77	$5,277	$140.08	$6,000	$723
Publications/Collateral	$10,735.58	$62,089	$38,745.74	$57,500	($4,589)
Promotions	$59,377.97	$45,000	$6,909.95	$40,000	($5,000)
Professional Development/ADMIN	$2,060.59	$7,000	$842.37	$7,000	$0
Research	$2,749.00	$5,000	$1,700.00	$6,000	$1,000
Salaries/Benefits Administration	$238,059.76	$249,000	$146,710.19	$260,136	$11,136
Salaries/Visitor Center & Part Time Staff	$11,444.13	$50,000	$6,792.75	$30,000	($20,000)
Sales-International *	$0.00	$10,000	$0.00	$9,650	($350)
Sales - Meetings/Conventions Trade Shows	$29,720.76	$29,205	$19,234.43	$34,565	$5,360
Sales - Group Tour Trade Shows	$18,234.01	$8,740	$6,345.22	$1,875	($6,865)
Sales - Sports Marketing Trade Shows	$2,165.30	$8,480	$0.00	$3,725	($4,755)
Sports Rebates/Group Housing Expense	$30,000.00	$24,670	$38,232.61	$30,000	$5,330
Souvenirs/VIC	$2,914.78	$2,000	$0.00	$2,000	$0
Supplies/ADMIN	$7,315.11	$4,000	$2,782.80	$4,500	$500
Supplies/VIC	$345.33	$1,000	$140.22	$1,000	$0
Technical Support	$19,743.87	$11,000	$8,215.48	$13,000	$2,000
Telecommunications/ADMIN	$8,157.99	$6,000	$7,334.63	$6,000	$0
Telecommunications/VIC	$2,067.50	$1,500	$1,500.98	$500	($1,000)
Volunteer Rewards/VIC	$453.33	$800	$0.00	$0	($800)
Website SEO/SEM	$30,320.00	$10,000	$0.00	$40,000	$30,000
TOTAL EXPENSES **	$862,657.48	$902,350	$408,372.58	$921,150	[illegible]

Proposal for County Policy
Administrative and Program Expenses for
Agricultural Land Preservation Programs
March 2009

Introduction:

Montgomery County has been actively involved in the field of Agricultural Land Preservation since the late 1970's. Nationally, Montgomery County is recognized as a leader in the preservation of farmland by having the greatest percentage of agricultural land protected by easements. In 2009, Montgomery County achieved its farmland preservation goal of protecting over 70,000 acres of farmland. The purchase and stewardship of protective easements cannot occur without the staff resources necessary to get the job done. Given the long history and success of this program, the County developed an easier and more consistent policy to charge administrative staff expenses associated with this program. The current policy regarding the administrative expenses associated with the agricultural land preservation programs was adopted in August 2003. This proposal identifies the reasons for changing this policy to address the budget reduction mandate for FY 2010.

Background:

The Agricultural Services Division portion of the DED operating budget is 12.6 % of the total making it appropriate for the Division to contribute to the County Executive's savings mandate for the FY 2010.

Over the years the specific work years of the Agricultural Services Division charged to the CIP have fluctuated with the cyclical tides of our economy. Please see the attached chart titled (History of Ag Easement Funding). The chart shows the complete history associated with the Agricultural Land Preservation CIP program starting in 1980. Future changes in County policy that migrate administrative staff charges from the operating budget to the CIP budget will need to be reconsidered when the economy improves.

Agricultural Transfer Tax and Investment Income

Prior to FY1994, interest income from the Agricultural Transfer Tax collections in the amount of $7.7 million was allocated to the County's General Fund. In 1994, the County changed its policy by authorizing the interest income derived from the County's share of Agricultural Transfer Taxes to be applied back the Agricultural Land Preservation CIP for easement purchases. In FY1997 an implementation agreement between OMB, DED and the Department of Finance was adopted where annual expenditures associated with the Agricultural Land Preservation CIP would be adjusted for 90% in Agricultural Transfer Taxes and 10% Investment Income.

This 90%-10% policy remained in effect until *FY2003*, when OMB and DED agreed that investment income be used to fund 100 percent of the administrative expenses associated with the project. The 2003 policy change simplified the practice of cost allocation for administrative expenses and eliminated the need for time-consuming State reporting requirements. The FY2003 policy was applied retroactively to encompass Investment Income expenditures for *FY2001*, *FY2002* and *FY2003* and the Investment Income expenditures were adjusted accordingly. This policy of 100% of 2.6 work years charged to investment income remains in effect today.

Recommendation

The County Executive's FY2010 Recommended Budget assumes the following increased changes to the Agricultural Land Preservation Easement project No. 788911.

The total breakdown of expenditures in FY2010 is the following:

$292,000	Current CIP appropriation/expense: 1 wy BDS III, 1wy BDS I, .6 WY MII
$69,000	.4 work year MLS Manager II
$30,000	Deer Donation Program
$10,000	Montgomery Weed Control Program
$31,000	Cooperative Extension Partnership
$432,000	FY 2010 Investment Income Expenditures

1. The future collections of agricultural transfer taxes and investment income are difficult to project and therefore, it is recommended that all parties revisit this issue and policy annually. This recommendation will ensure that levels of funds from collections are sufficient to cover the identified expenditures. This recommendation represents a new policy for FY 2010 that makes logical and practical sense during these economic times.

Attachment: History of Ag Easement Funding

InvestmentIncomePolicyProposal.doc

Ag Land Pres Easements -- No. 788911

Category	**Conservation of Natural Resources**	Date Last Modified	**March 12, 2009**
Subcategory	**Ag Land Preservation**	Required Adequate Public Facility	**No**
Administering Agency	**Economic Development**	Relocation Impact	**None.**
Planning Area	**Countywide**	Status	**On-going**

EXPENDITURE SCHEDULE ($000)

Cost Element	Total	Thru FY08	Rem. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	2,573	0	0	2,573	280	432	445	458	472	486	0
Land	19,183	0	12,910	6,273	1,723	600	750	1,000	1,000	1,200	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	**21,756**	**0**	**12,910**	**8,846**	**2,003**	**1,032**	**1,195**	**1,458**	**1,472**	**1,686**	**0**

FUNDING SCHEDULE ($000)

Agricultural Transfer Tax	16,415	0	10,142	6,273	1,723	600	750	1,000	1,000	1,200	0
Federal Aid	393	0	393	0	0	0	0	0	0	0	0
Investment Income	2,687	0	114	2,573	280	432	445	458	472	486	0
State Aid	2,261	0	2,261	0	0	0	0	0	0	0	0
Total	**21,756**	**0**	**12,910**	**8,846**	**2,003**	**1,032**	**1,195**	**1,458**	**1,472**	**1,686**	**0**

DESCRIPTION

This project provides funds for the purchase of agricultural and conservation easements under the County Agricultural Land Preservation legislation, effective November 25, 2008, for local participation in Maryland's agricultural and conservation programs. The County Agricultural Easement Program (AEP) enables the County to purchase preservation easements on farmland in the agricultural zones and in other zones approved by the County Council to preserve farmland not already protected by Transferable Development Rights (TDRs) easements or State agricultural land preservation easements. The Maryland Agricultural Land Preservation Foundation (MALPF) enables the State to purchase preservation easements on farmland jointly by the County and State. The Rural Legacy Program (RLP) enables the State to purchase conservation easements to preserve large contiguous tracts of agricultural land. The sale of development rights easements are proposed voluntarily by the farmland owner. Project funding comes primarily from the Agricultural Land Transfer Tax, which is levied when farmland is sold and removed from agricultural status. Montgomery County is a State-certified county under the provisions of State legislation which enables the County to retain 75 percent of the taxes for local use. The County uses a portion of its share of the tax to provide matching funds for State easements. Beginning in FY2010, a new Building Lot Termination (BLT) program will be initiated that represents an enhanced farmland preservation program tool to further protect land where development rights have been retained in the Rural Density Transfer Zone (RDT). This program will use Agricultural Transfer Tax revenue to purchase the development rights and corresponding TDRs retained on these properties.

COST CHANGE

Investment Income was increased to fund administrative expenses and additional agricultural initiatives carried out by the Agricultural Services Division.

JUSTIFICATION

Annotated Code of Maryland 2-501 to 2-515, Maryland Agricultural Land Preservation Foundation; Annotated Code of Maryland 13-301 to 13-308, Agricultural Land Transfer Tax; and Montgomery County Code, Chapter 2B, Agricultural Land Preservation.

OTHER

Appropriations are based upon a projection of Montgomery County's portion of the total amount of Agricultural Transfer Tax, which has become available since the last appropriation and State Rural Legacy Program grant funding. Appropriations to this project represent a commitment of Agricultural Land Transfer Tax funds and State Aid to purchase agricultural easements. The Agricultural Transfer Taxes are deposited into an investment income fund, the interest from which is used to fund direct administrative expenses (3.0 work years), the purchase of easements, and other agricultural initiatives carried out by the Agricultural Services Division. The program permits the County to take title to the TDRs. These TDRs are an asset that the County may sell in the future, generating revenues for the Agricultural Land Preservation Fund. The County can use unexpended appropriations for this project to pay its share (40 percent) of the cost of easements purchased by the State. Since FY99, the County has received State RLP grant funds to purchase easements for the State through the County. The State allows County reimbursement of 3 percent for direct administrative costs such as appraisals, title searches, surveys and legal fees.

Given changes to the Federal Program, Federal Aid funds are no longer programmed in this project.

FISCAL NOTE

Expenditures do not reflect additional, authorized payments made from the Agricultural Land Preservation Fund balance to increase financial incentives for landowners.

OTHER DISCLOSURES

- The Executive asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

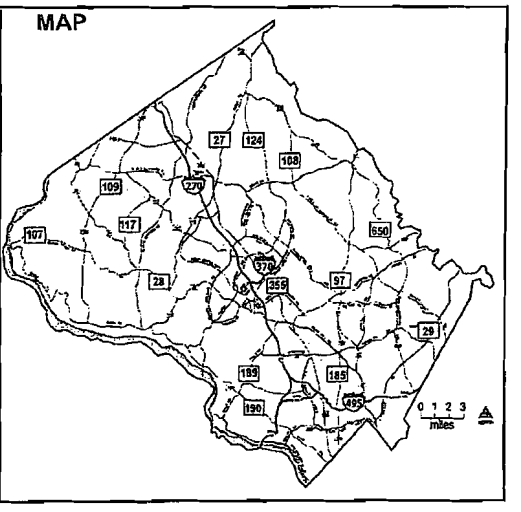
APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY89	($000)
First Cost Estimate Current Scope	FY10	21,056
Last FY's Cost Estimate		26,341
Appropriation Request	FY10	892
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		14,912
Expenditures / Encumbrances		9,395
Unencumbered Balance		5,517
Partial Closeout Thru	FY07	44,416
New Partial Closeout	FY08	5,286
Total Partial Closeout		49,702

COORDINATION

State of Maryland Agricultural Land Preservation Foundation
State of Maryland Department of Natural Resources
Maryland-National Capital Park and Planning Commission
Landowners

MAP



History of Ag Easement Funding

Fiscal Year	75% County Collections	Purchased Easements	Interest Income Collections	WY CIP	Detail	Interest Income Expenses	Total County Expense	Percent of Total Expense	Transfers Out	Interest Income Balance
1980	$0	$0	$7.7 Million to General Fund							
1981	$0	$0								
1982	$0	$46,322		0.8	.8 Rene Johnson					
1983	$645,666	$81,057		0.8	.8 Rene Johnson					
1984	$1,066,595	$128,408		0.8	.8 Rene Johnson					
1985	$1,310,649	$217,663		0.8	.8 Rene Johnson					
1986	$1,055,739	-$58,648		0.8	.8 Rene Johnson					
1987	$1,981,859	$5,744		0.8	.8 Tim Warman					
1988	$3,823,031	$0		1.8	.8 Tim Warman/1.0 Jeremy Criss					
1989	$2,151,535	$58,772		1.8	.8 Tim Warman/1.0 Jeremy Criss					
1990	$3,319,615	$3,299,084		1.8	.8 Tim Warman/1.0 Jeremy Criss					
1991	**$147,181**	$3,547,579		1.8	.8 Tim Warman/1.0 Jeremy Criss					
1992	**$197,016**	$2,558,341		1.8	.8 Tim Warman/1.0 Jeremy Criss					
1993	$533,960	$1,238,596		1.0	1.0 Jeremy Criss					
1994	$934,322	$3,002,672	$151,356	1.0	1.0 Jeremy Criss	0				$151,356
1995	$1,400,765	$1,464,430	$192,295	1.0	1.0 Jeremy Criss	0				$192,295
1996	$1,041,580	$1,839,109	$187,230	1.0	1.0 Jeremy Criss	0				$187,230
1997	$364,210	$313,190	$151,989	2.4	.8 Jeremy Criss/1.0 John Zawitoski/.5 Melissa Pugh	$34,799	$347,989	10.00%	**$500,000***	$117,190
1998	$401,491	$152,574	$169,733	2.4	.8 Jeremy Criss/1.0 John Zawitoski/.5 Melissa Pugh	$16,953	$169,527	10.00%		$152,780
1999#	$1,016,102	$361,044	$174,051	**0.0**	**2.4 migrated to Operating Budget**	$40,116	$401,160	10.00%		$133,935
2000	$2,846,362	$1,614,757	$264,176	**0.0**	**2.4 migrated to Operating Budget**	$171,132	$1,785,889	9.58%		$93,044
2001##^	$1,605,855	$2,035,292	$408,208	**0.0^**	**2.4 migrated to Operating Budget**	**$4,068**	**$2,039,360**	0.20%		$230,022
2002^	$2,132,486	$955,566	$167,940	2.0^	1.0 Jeremy Criss/1.0 John Zawitoski	**$90,303**	**$1,045,869**	8.63%		$67,602
2003^	$2,431,433	$1,235,359	$123,405	2.0^	1.0 Jeremy Criss/1.0 John Zawitoski	**$153,955**	**$1,389,314**	11.08%		$153,605
2004^	$1,936,800	$1,489,082	$94,293	1.6^	.6 Jeremy Criss/1.0 John Zawitoski	$163,259	$1,652,341	9.88%		-$68,966
2005^	$1,774,916	$1,760,440	$187,318	1.6^	.6 Jeremy Criss/1.0 John Zawitoski	$193,180	$1,953,620	9.89%		-$5,862
2006^	$7,434,337	$904,994	$627,555	1.6^	.6 Jeremy Criss/1.0 John Zawitoski	$222,573	$1,127,567	19.74%		$404,982
2007^	$303,011	$534,153	$843,338	2.1^	.6 Jeremy Criss/1.0 John Zawitoski/.5 Agata Newacil	$234,307	$768,460	30.49%		$609,031
2008^	$626,402	$3,262,440	$649,967	2.6^	.6 Jeremy Criss/1.0 John Zawitoski/1.0 Agata Newacil	$236,743	$3,499,183	6.77%		$413,224
12/31/2008^	**$46,018**	$3,382,254		2.6^	.6 Jeremy Criss/1.0 John Zawitoski/1.0 Kristin Fisher	$131,713				

^ in accordance with August 15, 2003 OMB Memorandum 100% corresponding to the WY's listed above charged to Investment Income (2001- Dec 2008)
* 1997 Agricultural Emergency Drought Assistance Program
# 1999 totals does not include $61,817 federal reimbursement through FPP not shown as it reflects Federal aid
2001 total does not include $115,960 federal reimbursement through FPP not shown as it reflects Federal aid

$2,831,468
500000
$2,331,468