

**MEMORANDUM**

May 2, 2022

**TO:** Planning, Housing, and Economic Development (PHED) Committee  
**FROM:** Gene Smith, Legislative Analyst  
**SUBJECT:** **FY23 Operating Budget – Montgomery County Economic Development Corporation (MCEDC) Non-Departmental Account (NDA)**  
**PURPOSE:** Make recommendations for Council consideration

**Expected Participants:**

Ben Wu, President and CEO, MCEDC  
Bill Tompkins, Executive Vice President and COO, MCEDC  
Stacey Hardy, Vice President of Operations, MCEDC  
Jake Weissmann, Assistant Chief Administrative Officer, Office of the County Executive  
Felicia Hyatt, Fiscal and Policy Analyst, Office of Management and Budget

**Summary of Recommended FY23 Budget – MCEDC NDA**

	<b>FY22 Approved</b>	<b>FY23 CE Recommended</b>	<b>Change from FY22 Approved</b>
<b>General Fund</b>	<b>\$5,007,750</b>	<b>\$6,200,000</b>	<b>23.8%</b>
Personnel Costs	\$0 0.00 FTEs	\$0 0.00 FTEs	0.0% 0.00 FTEs
Operating Costs	\$5,007,750	\$6,200,000	23.8%
<b>Total Expenditures (All Funds)</b>	<b>\$5,007,750</b> <b>0.00 FTEs</b>	<b>\$6,200,000</b> <b>0.00 FTEs</b>	<b>23.8%</b> <b>0.0%</b>

- The Executive recommends adding \$1,192,250 in FY23 for MCEDC’s base operational support.

**I. Budget Overview**

See the Executive’s recommendation on ©1. This NDA was created in FY17 to fund the County’s designated lead economic development organization (EDO). This organization

implements the County’s economic development strategic plan, which includes marketing, business attraction and retention, entrepreneurship, and promoting the County’s economic base.

## II. Organization Review

MCEDC’s core mission is business attraction, retention, and growth. It advances the County’s economic development goals by connecting businesses locating to or expanding in the County with the critical resources, such as local real estate intelligence, funding, business incentives, and talent. As noted by MCEDC’s website, it is ready to “*start, grow, and move your business to Montgomery County.*”

See MCEDC’s board-approved FY22 work plan on ©2-5. The FY22 MCEDC Work Plan had three focus areas – 1) advancing [the County’s] industry growth and diversification; 2) fostering [the County’s] entrepreneurial activity and new business formation; and 3) responding to the needs of targeted and emerging [County] industries. The FY22 Work Plan included seven actions to advance efforts through the three focus areas. MCEDC provided an update to its board on March 21, 2022, about the organization’s efforts related to the FY22 Work Plan (see ©6-23).

### A. FY22 Budget

See MCEDC’s FY21 audited financial statement on ©24-43. MCEDC reported approximately \$22.4 million in total revenues for FY21, which included \$17.6 million of restricted revenues for specific pandemic-related assistance programs (e.g., Restaurant Relief Program). For FY21, MCEDC reported approximately \$22.4 million in expenditures. MCEDC reported a balance of about \$2.3 million in assets at the end of FY21 – about the same balance reported at the end of FY20 and modestly more than reported in FY19 (see ©44). **The balance of net assets is mostly cash reserves from the Council’s previously fiscal year disbursements.**

See MCEDC’s FY22 unaudited financial statement as of March 2022 on ©45-49; these statements have not been reviewed by the MCEDC Board, yet. Table 1 below summarizes this information into broad categories. Through March 2022, MCEDC reported approximately \$4.3 million in revenues and \$3.8 million in expenditures. After annualizing certain expenditures (e.g., personnel costs and general operating) at the current rate of spending, the organization is expected to stay within its budget. It is likely that the organization will continue to have excess reserves in FY23.

**Table 1: MCEDC’s Unaudited FY22 Budget as of March 31, 2022 (\$)**

	<b>Approved Budget</b>	<b>Actual (February 2022)</b>	<b>Difference from Approved</b>
<b>Revenues</b>			
County Appropriation	5,007,750	4,284,508	723,242
Other revenues	102,000	25,303	76,697
<b>Total Revenues</b>	<b>5,109,750</b>	<b>4,309,811</b>	<b>799,939</b>
<b>Expenditures</b>			
Personnel Costs	3,792,469	2,509,830	(1,282,639)
General Operating	669,665	405,165	(264,500)
Memberships	243,000	147,022	(95,978)
Partnerships/Sponsorships	400,000	183,079	(216,921)
Travel/Meals	76,500	14,796	(61,704)
Business Development	82,500	4,367	(78,133)
Marketing	600,000	291,070	(308,930)
Strategic Initiatives	800,000	226,821	(573,179)
<b>Total Expenditures</b>	<b>6,664,134</b>	<b>3,782,150</b>	<b>(2,881,984)</b>

Most of MCEDC’s FY22 expenditures support its personnel costs. The FY22 budget approved about \$3.8 million, or 56.9% of total approved expenditures, for personnel costs. As of March 2022, the organization’s personnel costs are about 66.4% of its total expenditures in FY22. MCEDC notes that its budget funds 26 positions in FY22, and as of April 5, six positions are vacant (see ©50).

The remaining FY22 expenditures support other operations of the organization. The organization budgeted \$682,500 for business development and marketing initiatives in FY22. **As of March, MCEDC’s actual expenditures are \$295,437 or about 43.3% of the FY22 budgeted values for business development and marketing.** MCEDC includes a line item for “Strategic Initiatives” as an internal organizing term for a variety of expenditures. See ©51-52 for a list of expenditures and commitments assigned to this line item for FY22. MCEDC also notes that it is funded or committed \$291,880 in FY22 to fund certain sponsorships or partnerships See ©52 for a list of those sponsorships and partnerships.

**B. FY23 Expenditures**

The Council does not approve a line-item budget for MCEDC, but the County does execute a contract with the organization. **The Executive negotiates the contract, which details disbursement conditions and performance expectations, including reporting, for the County’s funding provided to the organization.** See ©53-54 for Executive staff responses about the County’s monitoring and compliance of the FY22 MCEDC contract. The Council may also choose to identify specific programs/expenditures and reporting requirements through the Council’s budget resolution. Executive staff will be available to discuss any questions that the committee may have about contracting with MCEDC in FY23.

See the draft FY23 MCEDC budget on ©55-56. **MCEDC estimates that its FY23 revenues will be about \$6.4 million, with 96.1% of this supported by the County’s appropriation.** In addition, MCEDC has allotted the Executive’s recommended increase in FY23 amongst the various line items of the budget (see Column 3 on ©55-56). See Table 2 below for a breakdown of the changes to MCEDC’s draft FY23 budget compared to its FY22 approved budget.

**Table 2: Differences between FY22 Approved and Draft FY23 MCDEC budgets (\$)**

	<b>FY22 Approved Budget</b>	<b>Draft FY23 Budget</b>	<b>Difference from FY22</b>
<b>Revenues</b>			
County Appropriation	5,007,750	6,200,000	1,192,250
Other revenues	102,000	252,000	150,000
<b>Total Revenues</b>	<b>5,109,750</b>	<b>6,452,000</b>	<b>1,342,250</b>
<b>Expenditures</b>			
Personnel Costs	3,792,469	4,119,614	327,145
General Operating	669,665	571,112	(98,553)
Memberships	243,000	182,847	(60,153)
Partnerships/Sponsorships	400,000	375,000	(25,000)
Travel/Meals	76,500	75,500	(1,000)
Business Development	82,500	82,500	0
Marketing	600,000	400,000	(200,000)
Strategic Initiatives	800,000	800,000	0
<b>Total Expenditures</b>	<b>6,664,134</b>	<b>6,606,573</b>	<b>(57,561)</b>

**The overall approach to MCEDC’s FY23 budget and efforts are unchanged with the recommended additional County funding.** For example, most of the Executive’s additional recommended funding is allocated by MCEDC to the “Strategic Initiatives” line item, but the total budgeted amount remains the same as the FY22 approved budget for these efforts. **The only category of expenditures increasing in FY23 compared to FY22 is personnel costs.** Marketing, an important function of MCEDC for the County, is drafted to decrease in FY23 when compared to FY22. The final MCEDC budget will be approved by the MCEDC board June 2022.

See the draft FY23 Work Plan on ©57-66. MCEDC’s FY23 Work Plan will be approved by the MCEDC board in June 2022. The FY23 Work Plan reflects the Council’s approval of the Economic Strategic Plan in April 2022. MCEDC lists five strategic priorities and nine goals for the draft FY23 Work Plan.

**C. FY23 Expenditures Discussion**

Below are potential discussion items related to MCEDC’s FY22 Work Plan update to its board.

1. New Jobs Growth. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©9. **Business attraction and retention is a core function of the organization.** MCEDC notes it has created or retained 1,002 jobs in FY22 through its efforts with 11

businesses. See ©67 for a list of businesses that MCEDC tracked for this metric. Most of the businesses reported for this goal benefited from the County’s MOVE Program. In addition, two retained businesses represent more than 60% of the jobs reported towards this goal.

For the “diverse businesses engaged”, MCEDC notes it was unable to reproduce the same values from SalesForce as reported to its board in March 2022 and anticipates that its current efforts with a vendor will ensure reproducible results in future reports.

2. Federal Engagement Strategy Expansion. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©10-11. Some of the metrics included for this item were to facilitate or apply for State/Federal funding and to execute MOUs. MCEDC considers its efforts still “in progress” for these metrics.
3. Economic Development Strategic Plan. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©13. MCEDC drafted the plan and partnered with Executive and Council staff in the revising the plan before final adoption. The Council adopted the plan on April 5, 2022.
4. Creating MCEDC Capital Network and Funding. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©14. Like the “engaged businesses” in the earlier item, MCEDC was unable to provide reproducible details of the “relationships established” due to complications with its SalesForce reports.
5. Grow MCEDC’s Resources Supporting Entrepreneurship. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©15. MCEDC’s metric for this action item was to connect 75 entrepreneurs not currently in the organization’s pipeline to capital business opportunities, supply chain, and other resources. As of March 2022, MCEDC did not provide any details about connected business but notes that it has launched the “MoCo Innovation Center”.
6. Implement Recommendations from the Economic Advisory Panel. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©17-18. MCEDC commissioned this advisory panel and the subsequent report. MCEDC notes it has taken primary responsibility for implementing five of the ten recommendations from this report.
7. Expand Marketing and Branding Initiatives. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©19-20. The intent of this action item was to measure MCEDC’s marketing against industry standards. The report includes information about MCEDC’s analytics for its webpage.
8. Tracking Indicators and Identifying Trends. See MCEDC’s reporting of its efforts for this action item as of March 2022 on ©21-22. This action item focuses on providing the County and its partners timely economic information, as well as meeting the County’s contract with MCEDC. Executive staff will be available during the worksession should the committee have any questions about the FY22 or FY23 MCEDC contract.

### III. Recommended FY23 Appropriation

The Executive’s recommendation to increase MCEDC’s appropriation was based on the organization’s representation that it will need additional funding to continue the same level of service in FY23. See ©68-69 for MCEDC’s description of how it will achieve its board approved FY22 budget of about \$6.4 million in expenditures. As of March 2022, MCEDC’s financial statements represent that the organization has spent only \$3.8 million of the County’s \$5.0 million appropriation, with three months remaining in FY22. **During the PHED Committee’s review last year for FY22, the committee supported the use of the organization’s reserves in FY21 (e.g., April-June of 2021) and early in FY22.** Per MCEDC, it has committed most these resources for future spending later in FY22.

The Council President requested that the Council staff consider certain options when reviewing the Executive’s recommended increases, 1) reduce; 2) switch to one-time; or 3) delay (see ©70-71). The committee should consider whether the full increase is required by MCEDC in FY23 based on its expenditures to date in FY22.

**Based on the current expenditures of MCEDC through March 2022, Council staff recommends that the committee delay half of the proposed increase for MCEDC until later in FY23.** This provides significant new funding for MCEDC in FY23 while providing time for the Council to consider the County’s revenue picture and MCEDC’s use of its reserves.

**In addition to the FY23 appropriation, Council staff recommends that the Council include the budget provision below.** The County has a reserve to deploy for any critical economic development programs throughout the fiscal year, and the Council should ensure that MCEDC spends its reserves before the County provides additional funding for the same level of services.

This resolution appropriates \$\_\_\_ to the Montgomery County Economic Development Corporation (MCEDC) Non-Departmental Account. The Department of Finance must not disburse more than \$5,007,750 in FY 2023 before the Council receives a memorandum from MCEDC detailing the use its reserve excess and providing a copy of the organization’s audited financial statements displaying total net assets without donor restrictions equaling less than \$1,000,000.

<u>This packet contains:</u>	<u>Circle #</u>
Executive’s recommended FY23 appropriation	1
MCEDC – Approved FY22 Workplan	2
MCEDC – FY22 Workplan March 2022 update	6
MCEDC – Audited FY21 Financial Statements	24
MCEDC – Unaudited FY22 Financial Statements as of March 2022	44
MCEDC – FY22 positions	50
MCEDC – FY22 funded and committed partnerships and sponsorships	51
Executive staff – FY22 and FY23 contracting expectations	53
MCEDC – Draft FY23 budget	55
MCEDC – Draft FY23 Workplan	57
MCEDC – FY22 reported attracted/retained businesses	67

MCEDC – FY22 committed funding	68
Council President FY23 Operating Budget approach memorandum	70

 **Montgomery County Economic Development Corporation**

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

<b>FY23 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY22 Approved</b>	<b>5,007,750</b>	<b>0.00</b>
Increase Cost: Funding for Activities and Outcomes	1,192,250	0.00
<b>FY23 Recommended</b>	<b>6,200,000</b>	<b>0.00</b>



Montgomery County Economic Development Corporation (MCEDC)  
**Fiscal Year 2022 Workplan Summary**  
*Supporting An Economic Recovery with Inclusiveness*



**Overview**

The FY22 workplan builds on the FY21 workplan with a greater emphasis on long term economic recovery and stabilization opportunities, short-term initiatives to incentivize economic growth and innovation, and a more integrated and inclusive set of tools to support economic growth. Three areas of focus include:

- Advancing Montgomery County industry growth and sector diversification;
- Fostering Montgomery County entrepreneurial activity and new business formation; and
- Responding to the needs of targeted and emerging Montgomery County industries.

In support of the above-mentioned strategies, MCEDC will develop the Montgomery County Comprehensive Economic Strategy, as authorized by the recently enacted County Council legislation transferring the responsibility from the County Executive.

**Work Plan Objectives**

**Advancing Montgomery County industry growth and sector diversification**

**Action 1** Create at least 1500 new jobs within companies identified through MCEDC's attraction, retention, and expansion efforts across targeted industries, and ensure that 100 diverse businesses are engaged by MCEDC to expand revenue generating, networking, and supply chain opportunities for them. Targeted industries for FY22 include:

- Life Sciences (Cell and Gene Therapy, Vaccines, Biologics, US Operations/International Firms, MedTech)
- Technology (Cybersecurity, Quantum Computing, Software Companies, HealthTech, FinTech)
- Nonprofits/Entrepreneurship (Nonprofits, Tech Nonprofits, NGOs, Trade Associations, Foundations, Social Change Tech, Defense)
- Hospitality(Corporate Headquarters, Management Companies, Ancillary Hospitality Businesses, REIT's)
- Real Estate (Site Selectors, Developers, Landlord/Tenant Reps, Real Estate Investors)

**Metrics**

- 1500 new jobs created
- 100 diverse business engaged with

**Action 2** Expand federal engagement strategy and partnerships with federal laboratories, federal funding programs, regulatory agencies and technology which can be commercialized; five areas of focus are:

- Entrepreneurial opportunities for early career professionals
- Leveraging laboratory proximity and engagement
- Access to early-stage capital
- Federal technology transfer policy
- Initiate/support partnerships for federal funding

**Metrics**

- Federal engagement strategy implemented by year end
- MCEDC facilitates or applies for state/federal grants for such purpose; at least one approved
- MOU's and partnerships established with NIST, TEDCO, USM/MC, and Commerce
- Programs implemented for each of five strategies outlined in Federal engagement strategic plan outlined above

**Fostering Montgomery County entrepreneurial activity and new business formation**

**Action 3** Create the county's four-year Comprehensive Economic Strategy which upon Council passage becomes the planned roadmap for investing in the county's economic expansion. Use the outline and requirements documented in the authorizing legislation, which includes, among others, target themes of:

- Business development (business attraction, retention and job growth)
- Housing
- Transportation
- Workforce development
- An inclusive economy

**Metric**

- Plan approved and adopted by County Council by June 30, 2022

**Action 4** Facilitate greater access to capital for emerging and growth businesses by creating a MCEDC Capital Network of funding sources targeted for Montgomery County businesses: support an inclusive economy by working with partners to identify and source funding directed to and received by diverse entrepreneurs

**Metric**

- MCEDC Capital Network results in creating 100 new networking relationships between institutions/investors and businesses; connections to financial institutions and other sources tracked

**Action 5** Grow MCEDC's resources supporting entrepreneurship:

- Launch the "MoCo Innovation Center" to continue developing this multi-year program, aligning new partners to provide services to start-ups and new businesses; oversee/monitor results
- Launch an Entrepreneur in Residence (EIR) program to provide expert entrepreneur training and oversight for both staff and targeted businesses
- Build internal database of resources available to entrepreneurs
- Develop and implement tracking system to measure connections made by MCEDC

**Metric**

- Connect 75 entrepreneurs in MCEDC's targeted industries that are not currently in our pipeline to capital business opportunities, supply chain, and other resources

**Responding to the needs of targeted and emerging Montgomery County industries**

**Action 6** Lead the economic development recovery and stabilization efforts as defined through the work of the MCEDC's Economic Advisory Panel (EAP) to implement change which address economic development needs around: Execute EAP recommendations

- A Healthy Local Economy
- Talent Pipeline
- Business Formation
- Local Business Environment
- Brand building and Marketing
- Shared Civic Mission

**Metrics**

- EAP Action Plan report completed by September 1
- Accepted by key constituencies by end of calendar year
- External partnerships agree to support execution of recommendations by end of third quarter; MCEDC is responsible for implementing five of the 10 recommendations in the report

**MARKETING**

**Action 7** Develop comprehensive marketing programs for all three focus areas (Advancing Montgomery County industry growth and sector diversification; Fostering Montgomery County entrepreneurial activity and new business formation; and Responding to the needs of targeted and emerging Montgomery County industries) in order to assure the success of the above mentioned action items

- Create marketing programs for specific industries and programs in coordination with business development and strategic initiatives teams' goals; including special outreach to diverse businesses

- Develop brand marketing campaign as a follow-up to the Economic Advisory Panel recommendation to position the county for business attraction and retention purposes; work with outside marketing firm to design and implement a multi-media marketing effort

## **Metrics**

- Demonstrate increased and continued tracking of MCEDC media tools against industry averages (examples include engagement, click rates, opens, etc.)
- Track earned media mentions in both English and non-English news outlets
- Analyze awareness and lead generation in form of at least 200 new businesses into county's business pipeline as a result of brand marketing campaign

## **Economic Indicators Reporting Information**

Tracking different types of economic indicators and identifying trends help to paint a clearer economic picture of Montgomery County as a whole. Economic Indicators are useful for MCEDC and its partners to follow over time to establish benchmarks and trends. We will share and publish information about the following economic indicators and conduct an ongoing analysis of trends to determine their impact on Montgomery County's economic health

## **General Reporting**

- Net new establishments (Quarterly)
- Net change in jobs (Quarterly)
- Office vacancy rate (Quarterly)
- Total employment (Quarterly)
- Unemployment rate gap (Annual – national level, census data not BLS)
- Average wage (Sector information available annually)
- Median home price to household income ratio (Calculated at one specific time each year – not an average).
- Venture Capital investments in county businesses (Constant updates through Pitchbook); and
- Percentage of State's GDP
- Approval of Montgomery County's Comprehensive Economic Plan

## **County Contract Reporting Requirements for MCEDC**

- Number of new jobs created, and number of existing jobs retained through MCEDC efforts
- Number of new business relocations and existing business expansions accomplished through MCEDC efforts
- Amount of new capital investment created or facilitated through MCEDC efforts
- The amount of net new commercial space occupied through MCEDC efforts
- Number of new business establishments by industry through MCEDC efforts
- Breakdown of business assistance requests by industry, geography, and company size, in addition to the type of assistance provided

Guidance to the County Executive concerning any policies which would facilitate economic development growth and retention efforts based on learnings from business engagement.

FY22  
Work Plan  
Metrics  
Update

Montgomery County  
Economic Development  
Corporation (MCEDC)

March 21, 2022



ACCELERATING ECONOMIC GROWTH  
IN MONTGOMERY COUNTY



MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT  
CORPORATION MARYLAND




# Overview

The FY22 workplan builds on FY21, by augmenting economic expansion efforts and targeting specific areas for growth following recovery efforts from the pandemic. The report *Connecting the Dots: Accelerating Economic Growth in Montgomery County*, was created as an action plan with overarching recommendations for economic growth and success. Following up on *Connecting the Dots* is the *Economic Development Strategic Plan 2021–2025* which MCEDC created, following legislation from the County Council transferring responsibility for the development of economic development metrics for the county from the County Executive’s Office. The plan is in the process of being authorized by the County Council.

Three areas of focus for MCEDC’s work plan include:

1. Advancing Montgomery County industry growth and sector diversification
2. Fostering Montgomery County entrepreneurial activity and new business formation
3. Responding to the needs of targeted and emerging Montgomery County industries

## METRICS UPDATE

-  On Plan or Completed
-  Less than 50% Complete / Likely to be carried over to FY23
-  Not Complete / Not Likely to be Accomplished

Area of Focus #1

# ADVANCING MONTGOMERY COUNTY INDUSTRY GROWTH AND SECTOR DIVERSIFICATION

## Action 1: New Jobs Growth

Create at least 1500 new jobs within companies identified through MCEDC's attraction, retention and expansion efforts across targeted industries. Ensure that 100 diverse businesses are engaged by MCEDC to expand revenue generating, networking and supply chain opportunities for them. Targeted industries for FY22 include:

- Life Sciences (Cell and Gene Therapy, Vaccines, Biologics, US Operations/International Firms, MedTech)
- Technology (Cybersecurity, Quantum Computing, Software Companies, HealthTech, FinTech)
- Nonprofits/Entrepreneurship (Nonprofits, Tech Nonprofits, NGOs, Trade Associations, Foundations, Social Change Tech, Defense)
- Hospitality (Corporate Headquarters, Management Companies, Ancillary Hospitality Businesses, REITs)
- Real Estate (Site Selectors, Developers, Landlord/Tenant Reps, Real Estate Investors)

### METRIC

- 1500 new jobs created

### STATUS

- 1002 jobs created and retained
- 245 diverse businesses engaged



## Action 2: Federal Engagement Strategy Expansion

Expand federal engagement strategy and partnerships with federal laboratories, federal funding programs, regulatory agencies and technology which can be commercialized.

Five areas of focus are:

- Entrepreneurial opportunities for early career professionals
- Leveraging laboratory proximity and engagement
- Access to early-stage capital
- Federal technology transfer policy
- Initiate/support partnerships for federal funding

## METRICS

- Federal engagement strategy implemented by year end
- MCEDC facilitates or applies for state/federal grants for such purpose; at least one approved
- MOUs and partnerships established with NIST, TEDCO, USG/MC/MCPS/WSM and Department of Commerce
- Programs evaluated in terms of effectiveness for each of five strategies outlined in federal engagement strategic plan above

## Action 2 — Continued: Federal Engagement Strategy Expansion

### STATUS

#### Strategy is in Progress

- Support three federally funded programs
  - TEDCO SBA FAST Partnership Program
    - Status: successfully funded
  - MTC EDA Business Continuity Task Force
    - Status: successfully funded
  - Howard County, MD EDA-BBBRC Phase I Maryland Cyber Workforce Solutions
    - Status: Submitted to Round 2 Funding evaluation
- Lead applicant on two Federal EDA funding opportunities
  - Good Jobs Challenge
  - ARPA Economic Adjustment (with partner organizations)
- MCEDC/USG/MC/MCPS/WSM MOU is being finalized; anticipate signing in April
- Two memos submitted to County Council
  - Recommendations to SBIR/STTR Matching Grant Program
    - Status: under review by County Council
  - County BIN
    - Status: special appropriation introduced to Council

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Area of Focus #2

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**FOSTERING MONTGOMERY COUNTY  
ENTREPRENEURIAL ACTIVITY AND NEW  
BUSINESS FORMATION**

### **Action 3: Comprehensive Economic Strategy / Economic Development Strategic Plan**

Create the county’s four-year Strategic Plan which, upon Council passage, becomes the planned roadmap for investing in the county’s economic expansion. Use the outline and requirements documented in the authorizing legislation which includes, among others, the targeted themes:

- Business development (business attraction, retention and job growth)
- Housing
- Transportation
- Workforce development
- An inclusive economy

#### **METRIC**

- Plan approved and adopted by County Council by June 30, 2022

#### **STATUS**

- Draft plan submitted on December 31, 2021
- PHED Committee review completed
- Council work session scheduled for March 29
- Council scheduled to adopt resolution on April 5

## Action 4: Creating MCEDC Capital Network and Funding

Facilitate greater access to capital for emerging and growth businesses by creating a MCEDC Capital Network of funding sources targeted for Montgomery County businesses.

- Support an inclusive economy by working with partners to identify and source funding directed to and received by diverse entrepreneurs.

### METRIC

- MCEDC Capital Network results in creating 100 new relationships between institutions/investors and businesses; connections to financial institutions and other sources result in improvement in capital funding availability

### STATUS

- 53 new relationships established

## Action 5: Grow MCEDC's Resources Supporting Entrepreneurship

- Launch the “MoCo Innovation Center” to continue developing this multi-year program, aligning new partners to provide services to start-ups and new businesses; oversee/monitor results
- Launch an Entrepreneur-in-Residence (EIR) program to provide expert entrepreneur training and oversight for both staff and targeted businesses
- Build internal database of resources available to entrepreneurs
- Develop and implement tracking system to measure connections made by MCEDC

### METRIC

- Connect 75 entrepreneurs in MCEDC's targeted industries that are not currently in our pipeline to capital business opportunities, supply chain and other resources.

### STATUS

- “MoCo Innovation Center” launched
- EIR program on hold
- Internal database of resources available to entrepreneurs underway
- Vendor hired to modify Salesforce to capture metrics

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Area of Focus #3

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**RESPONDING TO THE NEEDS OF  
TARGETED AND EMERGING MONTGOMERY  
COUNTY INDUSTRIES**

## **Action 6: Implement Recommendations from the Economic Advisory Panel**

- Lead the economic development recovery and stabilization efforts as defined through the work of the MCEDC's Economic Advisory Panel (EAP) and implement recommendations addressing the following:
- Focus on International Opportunities to Attract Companies to Montgomery County
- Create new initiatives to support Small, Minority and Women-Owned Businesses through Specialized Outreach, Capital Access Programs, and Resource Networks
- Launch a \$1 million Montgomery County Marketing Partnership Initiative
- Reinforce the Importance of Academic Institutions as Economic Drivers by Launching Direct Collaborations to Address Specific Industry Needs
- Formalize a Direct Partnership with the National Cybersecurity Center of Excellence to Facilitate Local Business Engagement

### **METRICS**

- EAP Action Plan report completed by September
- Accepted by key constituencies by end of calendar year
- External partnerships agree to support execution of recommendations by end of third quarter. MCEDC taking responsibility for implementing five of the 10 recommendations in the report



## Action 6 — Continued: Economic Advisory Panel Recommendations

### STATUS

- EAP Action Plan completed September 1
- Key constituencies acceptance in progress
- External partnerships agree to support execution of recommendations by end of third quarter
- MCEDC has taken primary responsibility for implementing five of the 10 recommendations: work has commenced
  - Create an incubator/accelerator for Hospitality Tech industry
  - Prepare an economic development plan for the Purple Line Corridor
  - Establish a \$1 Million Public-Private Entrepreneurship Innovation Center
  - Reform the Montgomery County Business Incubator Network (BIN)
  - Launch a \$1 Million Montgomery County Marketing Partnership

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## **Action 7: Expand Marketing and Branding Initiatives**

Develop comprehensive marketing programs for all three focus areas (Advancing Montgomery County industry growth and sector diversification; Fostering Montgomery County entrepreneurial activity and new business formation; and Responding to the needs of targeted and emerging Montgomery County industries) in order to assure the success of the above mentioned action items.

### **METRICS**

- Demonstrate increased and continued tracking of MCEDC media tools against industry averages (examples include engagement, click rates, opens, etc.)
- Track earned media mentions in both English and non-English news outlets

## Action 7 — Continued : Expand Marketing and Branding Initiatives

### STATUS

#### Top Five Pages

- 1 Homepage (21.66%; 10,616 page views)
- 2 Nonprofit Grant Program (9.81%; 4,808 page views)
- 3 About/Team (5.48%; 2,688 page views)
- 4 Careers (3.54%; 1,735 page views)
- 5 COVID-19 Resources (3.24%; 1,590 page views)

#### Visitors to Site

- 19,959 total users;  
19,576 were new users
- 1.36 sessions per user
- 1.80 pages per session
- 49,019 total pageviews  
42,438 unique pageviews

#### Newsletters

- **MoCo News: 21 total sent**
  - Click Rate: 3.8 (increase from 1.6% in FY21)
  - Open Rate: 44.4% (increase from 17.8% in FY21)
- **Segmented newsletters: (bio, cyber, etc.) 6 total sent**
  - Click Rate: 6.2% for segmented
  - Open rate: 40.6%

#### Press Releases

- 11 total sent

#### Earned Media

- 194 Mentions

## Action 8: Tracking Indicators and Identifying Trends

Tracking economic indicators and identifying trends paint a clearer economic picture of Montgomery County as a whole. Economic indicators help MCEDC and its partners establish benchmarks and trends. We will share and publish information about the following economic indicators and conduct more in-depth analyses of trends to determine their impact on Montgomery County's economic health.

- Net new establishments (Quarterly)
- Net change in jobs (Quarterly)
- Office vacancy rate (Quarterly)
- Total employment (Quarterly)
- Unemployment rate gap (Annual )
- Average wage (Annual)
- Median home price to household income ratio (Annual)
- Venture Capital investments in county businesses
- Percentage of State's GDP

See attached documents for additional details

## County Contract Reporting Requirements for MCEDC

- Number of new jobs created, and number of existing jobs
- Number of new business relocations and existing business expansions accomplished
- Amount of new capital investment created or facilitated
- The amount of net new commercial space occupied
- Number of new business establishments by industry
- Breakdown of business assistance requests by industry, geography, and company size, in addition to the type of assistance provided
- Produce Quarterly Indicator Briefings with Montgomery Planning

In addition, MCEDC to offer guidance to the County Executive concerning any policies which would facilitate economic development growth and retention efforts based on learnings from business engagement.

### STATUS

- EAP recommendations reviewed
- BIN review complete
- Completed Q1 & Q2 Montgomery County Economic Indicators Briefing
- See documents attached via email for business development and additional contract indicators



[thinkmoco.com](http://thinkmoco.com)

Bill Tompkins, Executive Vice President & Chief Operating Officer – [Bill@thinkmoco.com](mailto:Bill@thinkmoco.com)

**Montgomery County  
Economic Development Corporation**

**Financial Statements  
and Independent Auditor's Report**

**June 30, 2021 and 2020**

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# Montgomery County Economic Development Corporation

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## Independent Auditor's Report

To the Board of Directors  
Montgomery County Economic Development Corporation

We have audited the accompanying financial statements of the Montgomery County Economic Development Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montgomery County Economic Development Corporation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Bethesda, Maryland  
October 29, 2021

**Montgomery County Economic Development Corporation**

**Statements of Financial Position  
June 30, 2021 and 2020**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,288,019	\$ 3,134,856
Accounts receivable - trade, net	16,390	25,220
Contributions receivable	250,344	300,000
Prepaid expenses	75,239	30,645
Property and equipment, net	538,703	627,180
Intangible asset, net	<u>5,586</u>	<u>11,680</u>
 Total assets	 <u>\$ 7,174,281</u>	 <u>\$ 4,129,581</u>
	<u>Liabilities and Net Assets</u>	
<b>Liabilities</b>		
Accounts payable	\$ 185,158	\$ 132,576
Accrued expenses	318,011	232,543
Deferred rent	571,580	636,919
Refundable advance	<u>3,475,831</u>	<u>-</u>
 Total liabilities	 <u>4,550,580</u>	 <u>1,002,038</u>
 Commitments and contingencies	 -	 -
 Net assets without donor restrictions		
Undesignated	1,402,133	1,410,043
Board designated	<u>900,000</u>	<u>900,000</u>
 Total net assets without donor restrictions	 2,302,133	 2,310,043
 Net assets with donor restrictions	 <u>321,568</u>	 <u>817,500</u>
 Total net assets	 <u>2,623,701</u>	 <u>3,127,543</u>
 Total liabilities and net assets	 <u>\$ 7,174,281</u>	 <u>\$ 4,129,581</u>

See Notes to Financial Statements.

**Montgomery County Economic Development Corporation**

**Statement of Activities  
Year Ended June 30, 2021**

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Revenue and support			
Contributions - Montgomery County	\$ 4,748,546	\$ 17,036,793	\$ 21,785,339
Contributions - other	-	79,300	79,300
Contributed services	1,239	-	1,239
Interest income	495	-	495
Net assets released from restriction	<u>17,612,025</u>	<u>(17,612,025)</u>	<u>-</u>
 Total revenue and support	 <u>22,362,305</u>	 <u>(495,932)</u>	 <u>21,866,373</u>
Operating expenses			
Program activities	21,556,010	-	21,556,010
Supporting activities	<u>814,205</u>	<u>-</u>	<u>814,205</u>
 Total expenses	 <u>22,370,215</u>	 <u>-</u>	 <u>22,370,215</u>
 Changes in net assets	 (7,910)	 (495,932)	 (503,842)
Net assets, beginning	<u>2,310,043</u>	<u>817,500</u>	<u>3,127,543</u>
Net assets, end	<u>\$ 2,302,133</u>	<u>\$ 321,568</u>	<u>\$ 2,623,701</u>

**Montgomery County Economic Development Corporation**

**Statement of Activities  
Year Ended June 30, 2020**

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Revenue and support			
Contributions - Montgomery County	\$ 5,007,752	\$ 1,600,000	\$ 6,607,752
Contributions - other	-	392,500	392,500
Contributed services	1,972	-	1,972
Interest income	1,175	-	1,175
Net assets released from restriction	<u>1,225,000</u>	<u>(1,225,000)</u>	<u>-</u>
 Total revenue and support	 <u>6,235,899</u>	 <u>767,500</u>	 <u>7,003,399</u>
Operating expenses			
Program activities	5,102,934	-	5,102,934
Supporting activities	<u>880,204</u>	<u>-</u>	<u>880,204</u>
 Total expenses	 <u>5,983,138</u>	 <u>-</u>	 <u>5,983,138</u>
 Changes in net assets	 252,761	 767,500	 1,020,261
Net assets, beginning	<u>2,057,282</u>	<u>50,000</u>	<u>2,107,282</u>
 Net assets, end	 <u>\$ 2,310,043</u>	 <u>\$ 817,500</u>	 <u>\$ 3,127,543</u>

See Notes to Financial Statements.

**Montgomery County Economic Development Corporation**

**Statement of Functional Expenses  
Year Ended June 30, 2021**

	Program	Supporting		Total
		General and administrative	Fundraising	
Salaries	\$ 2,077,650	\$ 479,773	\$ 8,210	\$ 2,565,633
Marketing, public relations, website	100,340	-	-	100,340
Benefits and payroll taxes	452,300	104,446	1,787	558,533
Rent expense	111,555	25,761	441	137,757
Repairs	-	-	-	-
Events/sponsorships	53,556	-	-	53,556
Membership and subscriptions	187,811	-	-	187,811
Business development	195,000	-	-	195,000
Depreciation expense	77,223	17,833	305	95,361
Accounting and audit	-	100,555	-	100,555
IT equipment and software	40,338	9,315	159	49,812
Miscellaneous subcontractors	-	14,158	-	14,158
Business travel	1,501	-	-	1,501
Office expenses	7,573	1,749	30	9,352
Human resources	-	10,007	-	10,007
Meals and entertainment	-	25	-	25
Professional development	20,999	-	-	20,999
Parking	-	1,477	-	1,477
Insurance	-	21,667	-	21,667
Legal	-	11,465	-	11,465
Telephone	6,163	1,423	24	7,610
Equipment lease	5,476	1,264	22	6,762
Amortization expense	4,934	1,140	20	6,094
Internet and television	2,539	586	10	3,135
Security	1,686	390	7	2,083
Miscellaneous expenses	8	-	-	8
Telework assistance fund grants	456	-	-	456
Bank fees	-	156	-	156
Goal 1 - Grow and diversify	-	-	-	-
Goal 4 - Private fundraising	-	-	-	-
Goal 3 - Entrepreneurship and innovation	-	-	-	-
Goal 2 - Work and live	-	-	-	-
3R initiative grants	1,010,000	-	-	1,010,000
Restaurant relief fund grants	7,909,993	-	-	7,909,993
Restaurant relief fund phase II grants	4,945,000	-	-	4,945,000
Restaurant relief fund phase III grants	3,770,000	-	-	3,770,000
Strategic initiatives	523,329	-	-	523,329
Nonprofit grant program	50,580	-	-	50,580
<b>Total expenses year ended June 30, 2021</b>	<b>\$ 21,556,010</b>	<b>\$ 803,190</b>	<b>\$ 11,015</b>	<b>\$ 22,370,215</b>

**Montgomery County Economic Development Corporation**

**Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program	Supporting		Total
		General and administrative	Fundraising	
Salaries	\$ 1,792,360	\$ 448,656	\$ 24,925	\$ 2,265,941
Marketing, public relations, website	242,685	-	-	242,685
Benefits and payroll taxes	417,048	104,394	5,800	527,242
Rent expense	123,624	30,945	1,719	156,288
Repairs	-	279	-	279
Events/sponsorships	188,069	-	-	188,069
Membership and subscriptions	142,303	-	-	142,303
Business development	310,313	-	-	310,313
Depreciation expense	75,340	18,859	1,048	95,247
Accounting and audit	-	68,335	-	68,335
IT equipment and software	48,446	12,127	674	61,247
Miscellaneous subcontractors	-	30,697	-	30,697
Business travel	36,971	-	-	36,971
Office expenses	22,816	5,711	317	28,844
Human resources	-	90,664	-	90,664
Meals and entertainment	4,308	3,780	-	8,088
Professional development	6,968	-	-	6,968
Parking	16,633	4,164	231	21,028
Insurance	-	12,558	-	12,558
Legal	-	8,023	-	8,023
Telephone	6,242	1,563	87	7,892
Equipment lease	4,821	1,207	67	6,095
Amortization expense	4,820	1,207	67	6,094
Internet and television	3,470	869	48	4,387
Security	2,521	631	35	3,187
Miscellaneous expenses	458	115	6	579
Telework assistance fund grants	1,044,321	-	-	1,044,321
Bank fees	-	396	-	396
Goal 1 - Grow and diversify	570,397	-	-	570,397
Goal 4 - Private fundraising	-	-	-	-
Goal 3 - Entrepreneurship and innovation	20,000	-	-	20,000
Goal 2 - Work and live	18,000	-	-	18,000
3R initiative grants	-	-	-	-
Restaurant relief fund grants	-	-	-	-
Restaurant relief fund phase II grants	-	-	-	-
Restaurant relief fund phase III grants	-	-	-	-
Strategic initiatives	-	-	-	-
Nonprofit grant program	-	-	-	-
<b>Total expenses year ended June 30, 2020</b>	<b>\$ 5,102,934</b>	<b>\$ 845,180</b>	<b>\$ 35,024</b>	<b>\$ 5,983,138</b>

See Notes to Financial Statements.

**Montgomery County Economic Development Corporation**

**Statements of Cash Flows  
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ (503,842)	\$ 1,020,261
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	101,455	101,341
(Increase) decrease in		
Accounts receivable - trade	8,830	(24,546)
Accounts receivable - other	-	25,000
Contributions receivable	49,656	(300,000)
Prepaid expenses	(44,594)	(3,563)
Increase (decrease) in		
Accounts payable	52,582	71,585
Accrued expenses	85,468	(127,660)
Deferred rent	(65,339)	(56,411)
Refundable advance	<u>3,475,831</u>	<u>-</u>
Net cash provided by operating activities	<u>3,160,047</u>	<u>706,007</u>
Net increase in cash and cash equivalents	3,153,163	706,007
Cash and cash equivalents, beginning	<u>3,134,856</u>	<u>2,428,849</u>
Cash and cash equivalents, end	<u>\$ 6,288,019</u>	<u>\$ 3,134,856</u>

See Notes to Financial Statements.

# Montgomery County Economic Development Corporation

## Notes to Financial Statements June 30, 2021 and 2020

### Note 1 - Organization and purpose

The Montgomery County Economic Development Corporation ("MCEDC", the "Organization") was formed on October 5, 2015 as a nonstock corporation under the laws of the State of Maryland. MCEDC's formation was authorized on June 30, 2015 by way of the approval of Bill 2515 of the County Council of Montgomery County, Maryland (the "County"). MCEDC's sole purpose is serving as the County's economic and development corporation and implementing the County's economic development strategic plan and related programs. MCEDC is primarily supported by and operates under a contract with the County that establishes a framework for MCEDC to operate in order to carry out its purpose. The contract is renewable on an annual basis.

### Note 2 - Summary of significant accounting policies and other matters

#### Basis of accounting

These financial statements have been prepared on the accrual basis of accounting and are intended to present net assets, revenue, expenses, gains and losses, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Include revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue is reported as increases in net assets without donor restrictions unless uses of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and at a bank. Cash balances held at the bank are insured by the Federal Deposit Insurance Corporation. Cash balances held at the bank may from time to time exceed federally insured amounts. Management does not feel there is a risk of loss due to balances that exceed insured amounts.

#### Accounts receivable

Accounts receivable - trade, consist of amounts due from third parties as a result of various contractual agreements. Management determines any needed allowances for doubtful accounts of trade receivables by reviewing and identifying any troubled collectible amounts as necessary. The Organization has not experienced any collection difficulties with its trade receivables and, therefore, has not provided for an allowance for doubtful accounts. Recoveries of any written-off amounts would be recorded when received.



Montgomery County Economic Development Corporation

Notes to Financial Statements  
June 30, 2021 and 2020

**Property and equipment**

Property and equipment are carried at cost, net of accumulated depreciation and are depreciated for financial reporting purposes using the straight-line method over the estimated useful lives of the assets. The respective original useful lives are as follows:

<u>Assets</u>	<u>Estimated useful life (years)</u>
Leasehold improvements	10
Furniture and equipment	8

**Deferred rent**

The Organization records rent expense on a straight-line basis on its office lease that contains fixed annual rental increases. The difference between rent expense and payments made under the lease is reflected as deferred rent.

**Contributions**

Contributions are recognized as revenue in the period received. Contributions with donor-imposed restrictions are reported as support and added to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets releases from restriction. As of June 30, 2021 and 2020, MCEDC's contributions with donor restrictions totaled \$17,116,093 and \$1,992,500, respectively.

Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right to return any advanced funding if the Organization fails to overcome the barrier or hurdle. Conditional contributions are not recognized until the conditions on which they depend are substantially met. Any funding received prior to overcoming the barrier or hurdle is recognized as a refundable advance. As of June 30, 2021 and 2020, MCEDC's conditional contributions totaled \$3,475,831 and \$0, respectively, and are presented as refundable advance on the accompanying statements of financial position.

**Contributed services**

MCEDC recognizes contributed services at fair value if the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying statements of activities as contributed services are offset by like amounts included in expenses.

During the years ended June 30, 2021 and 2020, MCEDC received contributed professional services, with a fair value on the dates of donation, of \$1,239 and \$1,972, respectively.

Various members of MCEDC's Board of Directors have made significant contributions of their time to establish MCEDC. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such efforts were not satisfied.

# Montgomery County Economic Development Corporation

## Notes to Financial Statements June 30, 2021 and 2020

### **Marketing and advertising**

Marketing and advertising costs are expensed as incurred.

### **Income taxes**

MCEDC is exempt from federal income tax in accordance with section 501(c)(3) of the Internal Revenue Code, except for income taxed on "unrelated business income", if any. For the years ended June 30, 2021 and 2020, MCEDC did not have any "unrelated business income" subject to income taxes; accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements and MCEDC has not identified any uncertain tax positions that qualify for recognition or disclosure in the notes to the financial statements.

MCEDC is required to file and does file tax returns with the IRS. While no tax returns of the Organization are currently being examined by the IRS, tax returns since 2018 remain open for examination.

### **Intangible asset**

During the year ended June 30, 2017, MCEDC incurred costs related to the development of its website, "thinkmoco.com". Website costs include the cost to develop, enhance, manage and monitor MCEDC's website and online operations. MCEDC accounts for such costs in accordance with the accounting guidance pertaining to internal-use software and website development costs. Accordingly, qualifying website costs are capitalized and are amortized over their anticipated useful lives (currently five years) using the straight-line method. Other costs, such as maintenance and training, are expensed as incurred. Amortization expense for both 2021 and 2020 was \$6,094. Accumulated amortization as of June 30, 2021 and 2020 was \$24,884 and \$18,790, respectively.

### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Subsequent events**

Material subsequent events have been considered for disclosure and recognition in these financial statements through October 29, 2021, the date the financial statements were available to be issued.

**Montgomery County Economic Development Corporation**

**Notes to Financial Statements  
June 30, 2021 and 2020**

**Note 3 - Liquidity and availability of resources**

The table below represents the Organization's financial assets for general expenditures as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 6,288,019	\$ 3,134,856
Accounts receivable - trade, net	16,390	25,220
Contributions receivable	<u>250,344</u>	<u>300,000</u>
 Total financial assets	 <u>6,554,753</u>	 <u>3,460,076</u>
 Less amounts not available to be used within one year		
Net assets with donor restrictions - cash and cash equivalents	71,224	517,500
Net assets with donor restrictions - contributions receivable	250,344	300,000
Refundable advance	<u>3,475,831</u>	<u>-</u>
	<u>3,797,399</u>	<u>817,500</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 2,757,354</u>	 <u>\$ 2,642,576</u>

As discussed in Note 1, the Organization is primarily supported by the County. While the contract with the County is renewable on an annual basis, the Organization does not believe there to be any risk the contract will not be renewed. Accordingly, the Organization believes that the anticipated renewal of the contract, which would provide an equivalent level of support as prior years, in combination with financial assets on hand at June 30, 2021, is more than sufficient to pay the general expenditures of the Organization for one year from June 30, 2021.

Additionally, in a prior year, the Board of Directors of the Organization established an operating reserve to assist in maintaining financial stability for the Organization. The reserve is based on three months of operating expenses. As of both June 30, 2021 and 2020, the reserve balance is \$900,000 and is included in cash and cash equivalents on the accompanying statements of financial position.

**Note 4 - Functional allocation of expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Supporting services consist of general and administrative expenses and fundraising expenses. The expenses that are allocated include personnel costs, repairs and maintenance, office expenses, utilities, marketing, legal, insurance, depreciation and amortization, and occupancy. The expenses are allocated on the basis of estimates of time and effort. Expenses directly attributable to a functional area are directly charged to that area.

**Montgomery County Economic Development Corporation**

**Notes to Financial Statements  
June 30, 2021 and 2020**

**Note 5 - Property and equipment**

Property and equipment consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 856,639	\$ 856,639
Furniture and equipment	102,714	95,830
	<u>959,353</u>	<u>952,469</u>
Less accumulated depreciation	<u>420,650</u>	<u>325,289</u>
	<u><u>\$ 538,703</u></u>	<u><u>\$ 627,180</u></u>

For the years ended June 30, 2021 and 2020, depreciation expense was \$95,361 and \$95,247, respectively.

**Note 6 - Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
General programs	\$ 14,570	\$ 108,500
Telework Assistance Program	-	459,000
3R initiative	250,000	250,000
Restaurant relief fund	56,998	-
	<u>\$ 321,568</u>	<u>\$ 817,500</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
General programs	\$ 173,230	\$ 84,000
Telework Assistance Program	-	1,141,000 (a)
3R initiative	900,000	-
Restaurant relief fund	16,538,795	-
	<u>\$ 17,612,025</u>	<u>\$ 1,225,000</u>

(a) During the year ended June 30, 2021, \$459,000 of funds previously restricted for the Telework Assistance Program purpose were authorized by the donor to be reclassified to support for the 3R Initiative purpose.

# Montgomery County Economic Development Corporation

## Notes to Financial Statements June 30, 2021 and 2020

### Note 7 - Retirement plan

MCEDC sponsors a contributory defined contribution plan (the "Retirement Plan") covering eligible salaried employees. The Retirement Plan allows for safe harbor matching contributions by MCEDC to eligible participants. For the years ended June 30, 2021 and 2020, the Retirement Plan expense was \$88,555 and \$76,621, respectively, and is included as a component of benefits and payroll taxes on the accompanying statements of functional expenses.

### Note 8 - Commitments and contingencies

#### Leases

MCEDC entered into a 10-year lease for an office space in Rockville, Maryland. Rental payments on the lease commenced beginning April 20, 2017. Rent expense for the years ended June 30, 2021 and 2020 was \$248,987 and \$283,703, respectively. Additionally, effective May 1, 2017, MCEDC entered into a memorandum of understanding (the "MOU") with two third-party organizations (the "sub-tenants") to use a portion of MCEDC's leased office space. The MOU calls for the sub-tenants to pay a stated amount of license fees to MCEDC in advance each month, as well as a share of the operating costs on a yearly basis that MCEDC is subject to per its lease agreement. In addition, the MOU calls for the sub-tenants to pay a pro-rata share of administrative expenses each month in arrears. For the years ended June 30, 2021 and 2020, MCEDC recognized \$111,230 and \$127,415, respectively, of reimbursements related to the MOU, which is recorded net of rent expense. Rent expense, net of sub-tenant reimbursements, was \$137,757 and \$156,288 for the years ended June 30, 2021 and 2020, respectively.

MCEDC is also obligated under certain leases for office equipment through 2023.

Future minimum lease payments due under all lease arrangements as of June 30, 2021, are summarized as follows:

2022	\$	345,419
2023		354,847
2024		361,929
2025		371,882
2026		382,109
Thereafter		<u>325,688</u>
	\$	<u>2,141,874</u>

#### Federal grants

The Organization participates in federally assisted grant programs, which are subject to financial and/or compliance audits by the grantors or their representatives. Any adjustments to costs allowed under these grants as a result of a financial and/or compliance audit will be reflected in the period which they are determined. Management does not anticipate any significant adjustments as a result of such audits.

**Montgomery County Economic Development Corporation**

**Notes to Financial Statements  
June 30, 2021 and 2020**

**Note 9 - Risks and uncertainties - COVID-19**

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on MCEDC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be determined at this time.



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October 29, 2021

Finance and Audit Committee and Board of Directors  
Montgomery County Economic Development Corporation  
1801 Rockville Pike #320  
Rockville, MD 20852

Dear Ladies and Gentlemen:

We have audited the financial statements of Montgomery County Economic Development Corporation (the "Organization") as of and for the year ended June 30, 2021, and have issued our report thereon dated October 29, 2021. Professional standards require that we advise you of the following matters relating to our audit.

#### Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 29, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

#### Qualitative Aspects of the Entity's Significant Accounting Practices

##### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 2 to the financial statements.



No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate for the functional allocation of expenses, contributed services, useful lives of property and equipment and useful life of the intangible asset.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent, neutral, and clear.

### Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We are pleased to report there were no misstatements.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated October 29, 2021.

### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

This report is intended solely for the information and use of the Finance and Audit Committee, Board of Directors, and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

*CohnReznick LLP*

CohnReznick LLP  
Bethesda, Maryland  
October 29, 2021

**Montgomery County Economic Development Corporation**

**Statements of Financial Position  
June 30, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 3,134,856	\$ 2,428,849
Accounts receivable - trade, net	25,220	674
Accounts receivable - other, net	-	25,000
Contributions receivable	300,000	-
Prepaid expenses	30,645	27,082
Property and equipment, net	627,180	722,427
Intangible asset, net	11,680	17,774
	<hr/>	<hr/>
Total assets	<u>\$ 4,129,581</u>	<u>\$ 3,221,806</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 132,576	\$ 60,991
Accrued expenses	232,543	360,203
Deferred rent	636,919	693,330
	<hr/>	<hr/>
Total liabilities	<u>1,002,038</u>	<u>1,114,524</u>
Commitments and contingencies	-	-
Net assets without donor restrictions		
Undesignated	1,410,043	1,157,282
Board designated	900,000	900,000
	<hr/>	<hr/>
Total net assets without donor restrictions	2,310,043	2,057,282
Net assets with donor restrictions	<u>817,500</u>	<u>50,000</u>
Total net assets	<u>3,127,543</u>	<u>2,107,282</u>
Total liabilities and net assets	<u>\$ 4,129,581</u>	<u>\$ 3,221,806</u>

See Notes to Financial Statements.

**Montgomery County Economic Development (MCEDC)**  
**Statement of Financial Position**  
Ending Period 03/31/2022

	<b>3/31/2022</b>
	<b>Actual</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,570,303
Prepaid Expenses	22,866
<b>Total Current Assets</b>	<b>1,593,169</b>
<b>Non-Current Assets</b>	
Accounts Receivable - Other	\$ 2,192,612
Accounts Receivable - MC Government	\$ -
Equipment, Net of Accumulated Depreciation	468,159
Payroll Advance	-
<b>Total Non-Current Assets</b>	<b>2,660,771</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,253,940</b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 79,712
EagleBank Credit Card	13,826
Payroll Tax Liability	133
401k Plan	132,769
Aflac	(1,018)
Accrued PTO	104,905
Refundable Advance	153,331
Accrued Expenses	103,676
<b>Total Current Liabilities</b>	<b>\$ 587,334</b>
<b>Long Term Liabilities</b>	
Deferred Rent Liability	\$ 518,599
<b>Total Long Term Liabilities</b>	<b>518,599</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,105,933</b>
<b>Net Assets</b>	
Temporarily Restricted Net Assets	
MD State Grant	\$ -
MD State Grant - Biolab	3,570
Avalanche Study	-
Reach Advisors Study	-
3R Initiative	-
PEPCO	250,000
Covid-19 Recovery Efforts	11,000
3R Program Funds	-
Restaurant Relief Funds	56,998
Undesignated Net Assets	1,926,439
Board Designated Net Assets	900,000
Restricted Net Assets	-
Permanently Restricted Net Assets	-
<b>Total Net Assets</b>	<b>\$ 3,091,009</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,253,940</b>

No Assurance Provided

**Montgomery County Economic Development (MCEDC)**  
**Cumulative Statement of Revenue and Expenses From Operations**  
For the Period July 1, 2021 through March 31, 2022

	A FY22 Actual 07/01/21-03/31/22	B FY22 Budget 07/01/21-03/31/22	C FY22 Budget Variance	D % of Budget	E FY22 Budget Annual
<b>Revenue</b>					
Montgomery County Contribution	\$ 4,284,508	\$ 3,755,813	528,695	114%	\$ 5,007,750
External Funding		75,000	(75,000)	0%	100,000
Private Fundraising	25,000	-	25,000		-
Interest Income	343	1,500	(1,157)	23%	2,000
		-			
<b>Total Revenue</b>	<b>\$ 4,309,851</b>	<b>\$ 3,832,313</b>	<b>477,538</b>	<b>112%</b>	<b>\$ 5,109,750</b>
<b>Expenses</b>					
<b>Personnel Costs</b>					
Salaries & Wages	1,972,740	\$ 2,297,849	(325,109)	86%	\$ 3,063,798
Benefits & Payroll Taxes	530,384	527,753	2,631	100%	703,671
<b>Professional Services</b>					
Legal	63	22,500	(22,437)	0%	30,000
Human Resources	42,011	18,750	23,261	224%	25,000
Accounting/Audit	79,817	71,250	8,567	112%	95,000
Misc Subcontractors	3,150	22,500	(19,350)	14%	30,000
<b>Insurance</b>					
Property & Liability, WC: Commercial: D&O	7,054	17,250	(10,196)	41%	23,000
<b>Events/Sponsorships</b>					
Tradeshows/Conferences/Events	-	-	-		-
Sponsorships	-	-	-		-
<b>Membership/Subs Services</b>					
Membership Dues	26,738	24,750	1,988	108%	33,000
Research & BD Subscriptions	111,330	150,000	(38,670)	74%	200,000
Other Subscription Services	8,954	7,500	1,454	119%	10,000
<b>Partnerships</b>	86,000	150,000	(64,000)	57%	200,000
<b>Professional Development</b>					
Professional Development	6,706	18,750	(12,044)	36%	25,000
<b>Business Fees</b>					
Service Fees/Interest Charges	66	375	(309)	18%	500
Business Licenses & Filing Fees	-	375	(375)	0%	500
<b>Operating Expenses</b>					
Office Rent	202,748	257,111	(54,363)	79%	342,815
Building Operating Expenses	14,404	15,000		96%	20,000
Office Parking	1,985	12,000	(10,015)	17%	16,000
Guest Parking - Validation	-	2,250	(2,250)	0%	3,000
Telephone/Security/Internet	10,376	10,688	(312)	97%	14,250
Office Supplies/Misc. Office	8,569	9,000	(431)	95%	12,000
Postage & Delivery	580	375	205	155%	500
Printing (internal)	2,660	6,000	(3,340)	44%	8,000
IT Services	47,478	52,500	(5,022)	90%	70,000
Equipment Lease	6,453	5,325	1,128	121%	7,100
Reimbursement of Other Expenses	(98,313)	(135,000)	36,687	73%	(180,000)
Nonprofit Grant Program	-	-			
<b>Miscellaneous Expenses</b>					
Office Space - FF&E		37,500	(37,500)	0%	50,000
Depreciation	76,130	76,500	(370)	100%	102,000
<b>Business Travel</b>					
Airplane/Trains	3,390	22,500	(19,110)	15%	30,000

Lodging	3,637	18,750	(15,113)	19%	25,000
Local Travel (Parking/Tolls)	944	5,625	(4,681)	17%	7,500
<b>Meals &amp; Entertainment</b>					
M&E - Meetings	5,842	2,625	3,217	223%	3,500
M&E - BD	826	5,625	(4,799)	15%	7,500
M&E - Marketing	150	750	(600)	20%	1,000
M&E - Other	7	1,500	(1,493)	0%	2,000
<b>Business Development</b>					
Business Engagement Forums	-	18,750	(18,750)	0%	25,000
Familiarization Tours	-	5,625	(5,625)	0%	7,500
Tradeshows/Conferences/Events	4,367	37,500	(33,133)	12%	50,000
Sponsorships	87,079	112,500	(25,421)	77%	150,000
<b>Marketing/Communications</b>					
Advertising and Promotional Campaigns	253,178	375,000	(121,822)	68%	500,000
Communications	33,890	37,500	(3,610)	90%	50,000
Digital Marketing/Website Maintenance	4,002	37,500	(33,498)	11%	50,000
Sponsorships	10,000	37,500	(27,500)	27%	50,000
<b>Strategic Initiatives</b>					
FY22 Strategic Initiatives	226,821	600,000	(373,179)	38%	800,000
<b>Total Expenses</b>	<b>\$ 3,782,216</b>	<b>\$ 4,998,101</b>	<b>\$ (1,215,289)</b>	<b>76%</b>	<b>\$ 6,664,134</b>
<b>Change in Unrestricted Net Assets</b>	<b>\$ 527,635</b>	<b>\$ (1,165,788)</b>	<b>\$ 1,693,423</b>	<b>-45%</b>	<b>\$ (1,554,384)</b>

*No Assurance Provided*

**Montgomery County Economic Development (MCEDC)**  
**Cumulative Statement of Revenue and Expenses From Operations**  
**For the Period February 1, 2022 through March 31, 2022**

	A FY22 Actual 03/01/22-03/31/22	B FY22 Budget 03/01/22-03/31/22	C FY22 Budget Variance	D % of Budget
<b>Revenue</b>				
Montgomery County Contribution	\$ -	\$ 417,313	(417,313)	0%
External Funding		\$ 8,333	(8,333)	0%
Private Fundraising	25,000	\$ -	25,000	
Interest Income	41	\$ 167	(126)	25%
		-		
<b>Total Revenue</b>	<b>\$ 25,041</b>	<b>\$ 425,813</b>	<b>(400,772)</b>	<b>6%</b>
<b>Expenses</b>				
<b>Personnel Costs</b>				
Salaries & Wages	178,322	\$ 255,317	(76,995)	70%
Benefits & Payroll Taxes	45,591	\$ 58,639	(13,048)	78%
<b>Professional Services</b>				
Legal	111	2,500	(2,389)	4%
Human Resources	188	2,083	(1,895)	9%
Accounting/Audit	3,374	7,917	(4,543)	43%
Misc Subcontractors	3,150	2,500	650	126%
<b>Insurance</b>				
Property & Liability, WC: Commercial: D&O	1,084	1,917	(833)	57%
<b>Events/Sponsorships</b>				
Tradeshows/Conferences/Events	-	-	-	
Sponsorships	-	-	-	
<b>Membership/Subs Services</b>				
Membership Dues	-	2,750	(2,750)	0%
Research & BD Subscriptions	11,182	16,667	(5,485)	67%
Other Subscription Services	202	833	(631)	24%
<b>Partnerships</b>				
	-	16,667	(16,667)	0%
<b>Professional Development</b>				
Professional Development	-	2,083	(2,083)	0%
<b>Business Fees</b>				
Service Fees/Interest Charges	66	42	24	157%
Business Licenses & Filing Fees	-	42	(42)	0%
<b>Operating Expenses</b>				
Office Rent	22,358	28,568	(6,210)	78%
Building Operating Expenses	1,600	1,667		96%
Office Parking	300	1,333	(1,033)	23%
Guest Parking - Validation	-	250	(250)	0%
Telephone/Security/Internet	768	1,188	(420)	65%
Office Supplies/Misc. Office	3,937	1,000	2,937	394%
Postage & Delivery	184	42	142	438%
Printing (internal)	140	667	(527)	21%
IT Services	3,168	5,833	(2,665)	54%
Equipment Lease	-	592	(592)	0%
Reimbursement of Other Expenses	(10,477)	(15,000)	4,523	70%
Nonprofit Grant Program	-			
<b>Miscellaneous Expenses</b>				
Office Space - FF&E		4,167	(4,167)	0%
Depreciation	8,460	8,500	(40)	100%
<b>Business Travel</b>				

Airplane/Trains	1,095	2,500	(1,405)	44%
Lodging	-	2,083	(2,083)	0%
Local Travel (Parking/Tolls)	606	625	(19)	97%
<b>Meals &amp; Entertainment</b>				
M&E - Meetings	5,151	292	4,859	1764%
M&E - BD	302	625	(323)	48%
M&E - Marketing	-	83	(83)	0%
M&E - Other	150	167	(17)	90%
<b>Business Development</b>				
Business Engagement Forums	-	2,083	(2,083)	0%
Familiarization Tours	-	625	(625)	0%
Tradeshows/Conferences/Events	110	4,167	(4,057)	3%
Sponsorships	34,500	12,500	22,000	276%
<b>Marketing/Communications</b>				
Advertising and Promotional Campaigns	136,761	41,667	95,094	328%
Communications	6,192	4,167	2,025	149%
Digital Marketing/Website Maintenance	1,696	4,167	(2,471)	41%
Sponsorships	4,500	4,167	333	108%
<b>Strategic Initiatives</b>				
FY22 Strategic Initiatives	17,800	66,667	(48,867)	27%
<b>Total Expenses</b>	<b>\$ 482,571</b>	<b>\$ 555,349</b>	<b>\$ (72,711)</b>	<b>87%</b>
<b>Change in Unrestricted Net Assets</b>	<b>\$ (457,530)</b>	<b>\$ (129,536)</b>	<b>\$ (327,994)</b>	<b>353%</b>

*No Assurance Provided*



**Can you provide a list of the FY22 funded positions, including whether the position is filled or vacant?**

As of April 5, MCEDC has 20 filled positions. Six positions are currently vacant.

Executiv	1.00	President & Chief Executive Officer
	1.00	Executive Vice President & Chief Operating Officer
	1.00	Executive Assistant & Project Coordinator
Strategy	<b>VACANT</b>	<b>VP, Strategy &amp; Innovation</b>
	<b>VACANT</b>	<b>Special Projects Manager</b>
	<b>VACANT</b>	<b>Research, Planning &amp; Policy Manager</b>
	1.00	Director of Strategic Initiatives
	1.00	Special Projects Manager
Marketing	<b>VACANT</b>	<b>VP of Marketing &amp; Communications</b>
	1.00	Creative Director
	1.00	Senior Art Director
	0.75	Senior Communications Manager
	1.00	Strategic Media & Communications Manager
Business Development	1.00	SVP, Business Development
	1.00	Director, Economic Development
	1.00	Director, Economic Development
	1.00	Director of Small and Local Business Engagement
	1.00	Director, Business Diversity & Inclusion
	1.00	Economic Development Specialist
	1.00	Economic Development Specialist
	1.00	Economic Development Specialist - Workforce Development
	<b>VACANT</b>	<b>Economic Development Specialist – Life Sciences</b>
	<b>VACANT</b>	<b>Business Analyst</b>
Ops	1.00	VP, Operations
	0.80	Business Operations Specialist
	1.00	Receptionist & Office Coordinator

**25.55      Total FTEs**

**Can you provide a list of the expenditures funded in FY22 through the “Strategic Initiatives” line item?**

The following is a breakdown of expenditures as of April 5, 2022:

<b>Purpose</b>	<b>Vendor</b>	<b>Total</b>
Research Support	David Barie	\$12,520.00
Inclusive Growth Support/Downtown SS Showcase	Economic Mobility Consultants	\$10,575.00
Connecting the Dots Report (graphic design)	Stephen Wilkes	\$4,000.00
Connecting the Dots Report (meeting expense)	TPC Avenel	\$1,777.05
Connecting the Dots Report (communications, logistics)	On the Marc Media	\$6,112.50
Federal Engagement Strategy Support	Phil Singerman	\$37,399.71
Maryland National Capital Region Economic Development Alliance (MNCREDA) Website development	Platinum PR	\$4,666.67
Longitudinal Survey Analysis; Economic Impact Study	Sage Policy Group	\$32,750.00
3R Initiative	Streetsense Consulting	\$16,300.00
Video Lottery Terminal Fund Application Support	Vernon Johnson	\$10,000.00
Quantum Support	Reach Advisors	\$5,000.00
	<b>TOTAL</b>	<b>\$141,100.93</b>

Funding to support the following initiatives has been committed:

<b>Purpose</b>	<b>Organization</b>	<b>Total</b>
Regional economic development activities; Quantum World Congress conference	Connected DMV	\$70,000.00
Women’s Entrepreneurship Program	TEDCO	\$70,000.00
3R Initiative	N/A; Three sites	\$250,000.00
Video Lottery Terminal Fund Joint Administration	Latino Economic Dev. Center	\$75,000.00
Minority Business Engagement	Black Business Council	\$25,000.00
Minority Business Engagement	The Collective	\$25,000.00
	<b>TOTAL</b>	<b>\$515,000</b>

**Can you provide a list of the FY22 sponsorships funded by MCEDC?**

As of April 5, MCEDC has funded the following sponsorships and partnerships:

<b>Company/Organization</b>	<b>Sponsorship Purpose</b>	<b>Amount</b>
MEDA (Maryland Economic Development Association)	Gold Sponsorship	\$10,000.00
BioHealth Innovation	BioHealth Capital Region Forum	\$10,000.00
Cybersecurity Association of Maryland	May MD Cyber Meetup	\$1,500.00
Universities At Shady Grove Foundation	Women in STEMM 2021 Symposium	\$3,000.00
Friends of White Oak	Business sponsorship for quarterly information forums	\$5,000.00
USG Foundation	Montgomery County Business Hall of Fame Induction Ceremony	\$5,000.00
Black Business Council	Sponsorship of Fall 2021 Black Business Outreach	\$10,380.00
Greater Washington Community Foundation	Celebration of Community Champions – Patron Sponsor	\$1,500.00

Committee for Montgomery	32nd Annual Legislative Breakfast	\$1,500.00
African American Chamber of Commerce of Montgomery County, Inc.	Minority Legislative Breakfast	\$1,500.00
Leadership Montgomery	CVA Luncheon Sponsorship	\$2,000.00
Maryland Real Estate Convention LLC	Platinum Sponsorship of The Maryland Party 2022 (ICSC)	\$17,500.00
Technology Council of Maryland, Inc. DBA Maryland Technology Council, Inc.	BIO International Convention - San Diego	\$7,000.00
Nonprofit Village	Nonprofit Navigator	\$20,000.00
	<b>TOTAL</b>	<b>\$95,880.00</b>

As of April 5, MCEDC has committed to the following partnerships in FY22:

<b>Organization</b>	<b>Partnership Purpose</b>	<b>Amount</b>
MD Tech Council	Venture Mentoring Service	\$76,000
Montgomery County Chamber of Commerce	Legislative and advocacy support	\$70,000
Maryland Women's Business Center	Provide counseling/business development assistance and training to women entrepreneurs	\$50,000
	<b>TOTAL</b>	<b>\$196,000</b>

## FY23 COUNCIL QUESTIONS

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### NDA: Montgomery County Economic Development (MCEDC)

1. What specific deliverables did the County require for its funding to MCEDC in FY22?
  - MCEDC must submit an amended Economic Development Strategic plan every fourth year; the plan must include metrics which focus on the County's economic development.
    - MCEDC presented a proposed strategic plan to Council on March 29, which focused on four key priorities: accelerating economic drivers like the life science industry while expanding other industries, such as hospitality technology; quantum computing and cybersecurity; develop more workforce and educational opportunities for residents; building more livable, accessible communities that connect people to jobs; and create an inclusive economy and business ecosystem.
    - MCEDC recommended metrics focused on the achievement of four priorities: Accelerate Innovation Economic Drivers, Provide Greater Workforce and Educational Opportunities, Build Livable Communities that Connect Residents to Jobs, and Create an Inclusive Economy for Shared Prosperity.
  - An Annual Report
  - Audited Financial Statements
  - The Board of Directors must report annually on the activities and finances of the Corporation and must provide an audited financial statement to the County Executive and County Council by November 1 of each year. The report must also include the Corporation's plan to solicit and receive additional public and private funding for its operations.
2. What has MCEDC reported (re: contracted deliverables) to the County as Feb. 28, 2022?
  - Draft Strategic Plan
  - FY21 Annual Report
  - FY21 Audited Financial Statements
  - FY21 Workplan Metrics Final Results
  - Connecting the Dots EAP Report
  - Strategic Initiative Project Progress Reports:
    - Bio-lab Pilot Project Report
    - 3R Initiative
    - Economic Action Plan
    - Federal Engagement Strategy
    - Silver Spring/Commerce Cabinet
    - Westat Study
    - Reach Advisors Study
3. How often does MCEDC report to the County?

- MCEDC provides an annual report
  - Bill 10-21 requires that MCEDC “periodically” report to the Council on the implementation of the strategic plan.
4. Does the County plan to add or change the deliverables expected for MCEDC in FY23?  
The County is exploring a range of metrics to ensure increased transparency to the Executive & Legislative branches for MCEDC, and to ensure that MCEDC’s long-term focus and vision aligns with the County’s strategic plan and initiatives.
5. Can you provide additional background/justification for the Executive’s recommended increase to this contract in FY23, including any specific deliverables that the County anticipates or plans to include in the FY23 contract related to this funding?  
MCEDC reports that they have spent down their reserves, and that the increased funding is needed to sustain their current level of programming – especially as it relates to increased marketing of the County, addressing the County talent pipeline, and support an inclusive economy. Specifically, the County expects to see MCEDC expand the entrepreneurial ecosystem in the county with the Montgomery County Business Incubator Network as recommended by the Planning, Housing, and Economic Development Committee (PHED), spur increased federal engagement, such as the \$300,000 received for the Silver Spring Arts & Brewery District, and increase their share of Opportunistic Ventures.

## Montgomery Economic Development Corporation Proposed Budget for FY23

	FY22 Approved Budget	FY23 Proposed Budget	Allocation of \$1,192,250 Increased County Funding Request
<b>INCOME</b>			
Revenue			
Montgomery County Contribution	\$ 5,007,750.00	\$ 6,200,000.00	
External Funding	\$ 100,000.00	\$ 250,000.00	
Interest Income	\$ 2,000.00	\$ 2,000.00	
<b>Total Revenue</b>	<b>\$ 5,109,750.00</b>	<b>\$ 6,452,000.00</b>	
<b>EXPENSES</b>			
Personnel Costs			
Salaries & Wages	\$ 3,063,797.61	\$ 3,275,691.49	\$ 92,670.00
Benefits & Payroll Taxes	\$ 703,671.21	\$ 818,922.87	\$ 78,843.70
	<b>\$ 3,767,468.82</b>	<b>\$ 4,094,614.36</b>	<b>\$ 171,513.70</b>
Professional Services			
Legal	\$ 30,000.00	\$ 15,000.00	\$ 3,000.00
Human Resources	\$ 25,000.00	\$ 35,000.00	\$ 7,000.00
Accounting/Audit	\$ 95,000.00	\$ 80,000.00	\$ 16,000.00
Misc Subcontractors	\$ 30,000.00	\$ 8,000.00	\$ 1,600.00
	<b>\$ 180,000.00</b>	<b>\$ 138,000.00</b>	<b>\$ 27,600.00</b>
Insurance			
Prop & Liability; WC: Commercial; D&O	\$ 23,000.00	\$ 18,000.00	\$ 3,600.00
	<b>\$ 23,000.00</b>	<b>\$ 18,000.00</b>	<b>\$ 3,600.00</b>
Partnerships			
Partnerships	\$ 200,000.00	\$ 175,000.00	\$ 35,000.00
	<b>\$ 200,000.00</b>	<b>\$ 175,000.00</b>	<b>\$ 35,000.00</b>
Membership/Subscription Services			
Membership Dues	\$ 33,000.00	\$ 31,362.00	\$ 6,272.40
Research & BD Subscriptions	\$ 200,000.00	\$ 139,485.20	\$ 27,897.04
Other Subscription Services	\$ 10,000.00	\$ 12,000.00	\$ 2,400.00
	<b>\$ 243,000.00</b>	<b>\$ 182,847.20</b>	<b>\$ 36,569.44</b>
Professional Development	\$ 25,000.00	\$ 25,000.00	\$ 5,000.00
	<b>\$ 25,000.00</b>	<b>\$ 25,000.00</b>	<b>\$ 5,000.00</b>
Business Fees			
Service Fees/Interest Charges	\$ 500.00	\$ 500.00	\$ 100.00
Business Licenses and Filing Fees	\$ 500.00	\$ 500.00	\$ 100.00
	<b>\$ 1,000.00</b>	<b>\$ 1,000.00</b>	<b>\$ 200.00</b>
Operating Expenses			
Rent	\$ 342,815.26	\$ 352,242.64	\$ 70,448.53
Building Operating Expenses	\$ 20,000.00	\$ 24,000.00	\$ 4,800.00
Parking			
Personnel Parking	\$ 16,000.00	\$ 12,000.00	\$ 2,400.00
Client Parking-Validation	\$ 3,000.00	\$ 2,000.00	\$ 400.00
Internet/Telephone/Security			
Telephone	\$ 9,500.00	\$ 7,000.00	\$ 1,400.00
Security	\$ 1,750.00	\$ 1,750.00	\$ 350.00
Internet/TV	\$ 3,000.00	\$ 3,000.00	\$ 600.00
Office Supplies/Office Expenses			
Office Supplies/ Misc Office Expenses	\$ 12,000.00	\$ 6,000.00	\$ 1,200.00
Postage and Delivery	\$ 500.00	\$ 500.00	\$ 100.00
Printing (internal)	\$ 8,000.00	\$ 8,000.00	\$ 1,909.36
IT (Maintenance, Help Desk, Equip, Software)	\$ 70,000.00	\$ 60,000.00	\$ 12,000.00
Partner Expense Reimbursement	\$ (180,000.00)	\$ (180,000.00)	
Depreciation	\$ 102,000.00	\$ 101,520.00	\$ 20,304.00
Equipment Lease	\$ 7,100.00	\$ 7,100.00	\$ 1,420.00
	<b>\$ 415,665.26</b>	<b>\$ 405,112.64</b>	<b>\$ 117,331.89</b>
Miscellaneous Expenses			
Office Space - FF&E	\$ 50,000.00	\$ 10,000.00	\$ 2,000.00
	<b>\$ 50,000.00</b>	<b>\$ 10,000.00</b>	<b>\$ 2,000.00</b>
Business Travel			
Airplane/Trains	\$ 30,000.00	\$ 30,000.00	\$ 6,000.00
Lodging	\$ 25,000.00	\$ 25,000.00	\$ 5,000.00

	FY22 Approved Budget	FY23 Proposed Budget	Allocation of \$1,192,250 Increased County Funding Request
Local Travel (Mileage, Parking, Tolls)	\$ 7,500.00	\$ 7,500.00	\$ 1,500.00
	<b>\$ 62,500.00</b>	<b>\$ 62,500.00</b>	<b>\$ 12,500.00</b>
<b>Meals &amp; Entertainment</b>			
M&E-Meetings	\$ 3,500.00	\$ 3,500.00	\$ 700.00
M&E-BD	\$ 7,500.00	\$ 7,500.00	\$ 1,500.00
M&E- Marketing	\$ 1,000.00	\$ -	\$ -
M&E- Other	\$ 2,000.00	\$ 2,000.00	\$ 400.00
	<b>\$ 14,000.00</b>	<b>\$ 13,000.00</b>	<b>\$ 2,600.00</b>
<b>Business Development</b>			
Business Engagement Forums	\$ 25,000.00	\$ 25,000.00	\$ 5,000.00
Familiarization Tours	\$ 7,500.00	\$ 7,500.00	\$ 1,500.00
Tradeshows/Conferences/Events	\$ 50,000.00	\$ 50,000.00	\$ 10,000.00
Sponsorships	\$ 150,000.00	\$ 150,000.00	\$ 30,000.00
	<b>\$ 232,500.00</b>	<b>\$ 232,500.00</b>	<b>\$ 46,500.00</b>
<b>Marketing/Communications</b>			
Advertising and promotional campaigns	\$ 500,000.00	\$ 300,000.00	\$ 60,000.00
Communications	\$ 50,000.00	\$ 50,000.00	\$ 10,000.00
Digital Marketing/Website Maintenance	\$ 50,000.00	\$ 50,000.00	\$ 10,000.00
Partnerships	\$ -	\$ -	\$ -
Sponsorships	\$ 50,000.00	\$ 50,000.00	\$ 10,000.00
	<b>\$ 650,000.00</b>	<b>\$ 450,000.00</b>	<b>\$ 90,000.00</b>
<b>Strategic Initiatives</b>	\$ 800,000.00	\$ 800,000.00	\$ 642,084.97
	<b>\$ 800,000.00</b>	<b>\$ 800,000.00</b>	<b>\$ 642,084.97</b>
<b>TOTAL EXPENSES</b>	<b>\$ 6,664,134.08</b>	<b>\$ 6,607,574.20</b>	<b>\$ 1,192,500.00</b>
<b>INCOME LESS EXPENSES</b>	<b>\$ (1,554,384.08)</b>	<b>\$ (155,574.20)</b>	
<b>FUND BALANCE CARRYOVER APPLIED TO BUDGET</b>	<b>\$ 1,614,330.00</b>	<b>\$ 155,574.20</b>	

MCEDC  
FY23 Strategic  
Plan of Action  
(DRAFT)



SUPPORTING INCLUSIVE  
ECONOMIC GROWTH IN  
MONTGOMERY COUNTY

Montgomery County  
Economic Development  
Corporation (MCEDC)



MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT  
CORPORATION MARYLAND



The **MCEDC workplan** is in alignment with the 2021-2025 Montgomery County Economic Development Strategic Plan.

## **COUNTY STRATEGIC PRIORITIES**

- 1. Accelerate Innovation Economic Drivers and Entrepreneurship**
- 2. Provide Greater Workforce and Educational Opportunities**
- 3. Build Livable Communities That Connect Residents to Jobs**
- 4. Create An Inclusive Economy for Shared Prosperity**

## **MCEDC'S STRATEGIC PRIORITIES**

- **Attract, retain, and expand employment opportunities within strategic industries**
- **Create an inclusive economy for shared prosperity**
- **Develop relevant economic development research and strategy**
- **Pilot ideas which have a positive evaluation, a developed strategy, and are funded**
- **Promote the County's businesses and business climate**

## MCEDC GOALS AND METRICS

### Workplan Goal 1

Create/retain jobs within the following industries through business outreach efforts, networking, industry events and managing referrals. Target industries include life sciences (cell and gene research and immunotherapy, advanced technology including cybersecurity, financial services, nonprofits, hospitality; support job growth and retention goals by building out the pipeline for an adequately trained workforce.

### METRICS AND PERFORMANCE INDICATORS

- 1,500 new jobs created/retained
- Skill gaps limiting the growth of at least one target industry are identified by MCEDC
- Enacts programs through workforce/education partners to develop/attract skilled workers

## Workplan Goal 2

Connect and enhance the traditional entrepreneurship ecosystem within the County to be more comprehensive including a focus on emerging industries including: hospitality tech and quantum computing; federal engagement/tech transfer opportunities within business sectors.

### METRICS AND PERFORMANCE INDICATORS

- Completed and currently implementing the business/operating plans for the MOCO Entrepreneurship and Innovation HUB
- Evaluate creation of hospitality tech incubator; if favorable, launch incubator
- Support regional Quantum conference or workshops established to build awareness, create partners, and attract research/start-ups
- Executed two MOUs successfully with supporting activities evaluated; federal engagement strategy components completed
  - Establish programming with at least two federal partners as a result of updated MOUs in effect

## Workplan Goal 3

Support underserved businesses through targeted outreach activities and capacity building programs.

Provide those businesses with better tools/knowledge base to enhance their sustainability and growth.

### METRIC AND PERFORMANCE INDICATORS

- 125 diverse businesses engaged through MCEDC and provided them with outreach allowing for greater access to capital, supply chain opportunities, and capacity building

## Workplan Goal 4

Complete strategic initiatives and/or business plans which activate economic development activity along key business corridors, including the Purple Line and the Red Line.

### METRIC AND PERFORMANCE INDICATORS

- Business plans endorsed by the Purple Line Corridor Coalition (PLCC) and Washington Metropolitan Area Transit Authority (WMATA), Montgomery Planning, and County government

## Workplan Goal 5

Build the Montgomery County brand for business growth and economic development.

Complete a multi-media marketing campaign supporting business development activity across target industries locally and in select markets across the country.

Continue brand building and marketing outreach for the general business community.

### **METRIC AND PERFORMANCE INDICATORS**

- Pre- and post marketing campaign surveys to key stakeholders about the county business climate and brand awareness instilled by campaign

## TRACKING INDICATORS, TRENDS AND OTHER REPORTING INFORMATION

- Net new establishments (Quarterly)
- Net change in jobs (Quarterly)
- Office vacancy rate (Quarterly)
- Total employment (Quarterly)
- Unemployment rate gap (Annual)
- Average wage (Annual)
- Median home price to household income ratio (Annual)
- Venture Capital investments in county businesses
- Percentage of State's GDP
- Number of new jobs created, and number of existing jobs
- Number of new business relocations and existing business expansions accomplished
- Amount of new capital investment created or facilitated
- The amount of net new commercial space occupied
- Number of new business establishments by industry
- Breakdown of business assistance requests by industry, geography, and company size, in addition to the type of assistance provided
- Produce Quarterly Indicator Briefings with Montgomery Planning

MCEDC will compare information generated from above to prior years' reporting to assess impact of trends on economic development.





[thinkmoco.com](http://thinkmoco.com)

Bill Tompkins, Executive Vice President & Chief Operating Officer – [Bill@thinkmoco.com](mailto:Bill@thinkmoco.com)

Company Name	Net New Sq. Ft.	Total Capital Investment (Calculated)	FTE Jobs Created (Est.)	FTE JOBS RETAINED (Est.)
International Cultural Bridge Group LLC		0	2	2
The ESAB Group Inc	20,889	2,300,000	60	2
Emagine IT	9,797	200,000	156	0
Intellian Technologies USA, Inc.	8,848	128,000	15	6
Silvec Biologics	6,000	0	14	6
The Urban Winery	5,157	45,000	30	0
Choice Hotels International, Inc.	105,000	1,800,000	50	400
NASDAQ Stock Market	45,633	0	25	200
Ella Scott Design		0	0	6
MacLean Real Estate Services LLC	1,269	0	5	1
Liatrix, Inc	4,880	0	20	2

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Montgomery County Economic Development Corporation

	377	625
TOTAL		1002



MCEDC FY22 Budget Projection  
as of March 31, 2022

FY22 Operating Budget	\$ 6,664,134.08
Funds Spent to Date	\$ 3,788,216.00
Committed Expenditures (April – June 2022)	
Personnel & Operations	\$ 840,000.00
Marketing & Communications	\$ 783,000.00
Strategic Initiatives	\$ 572,000.00
3R Initiative	\$ 259,000.00
Partnerships	\$ 114,000.00
Projected Expenditures as of June 30, 2022	\$ 6,356,216.00
Opening Reserve Fund Balance Less Restricted Funds (7/1/21)	<b>\$ 1,252,372.00</b>
Closing Reserve Fund Balance (6/30/22)	\$ 307,918.08

Description of Committed Expenditures

Personnel & Operations

MCEDC anticipates that it will spend approximately \$840,000 on personnel and general operating costs through remainder of the fiscal year. This amount will increase as open positions are filled.

Marketing & Communications

- WTOP
- Brand Marketing Campaign

Strategic Initiatives

- Reach Advisors (Quantum & Hospitality)
- The Universities of Shady Grove (READY Program)
- Minority Business Engagement
- Entrepreneur-In-Residence/Incubators
- Regional Revitalization
- 3R Initiative
- MoCo Made
- Food Incubator

- MoCo Eat

#### Federal Grant Opportunities

- EDA American Rescue Plan Act Economic Adjustment Assistance
- EDA ARPA Good Jobs Challenge
- NCCoE Partnership Intermediary Agreement

#### Partnerships

MCEDC has committed to the following partnerships through the end of the fiscal year:

- Latino Economic Development Center
- Montgomery County Chamber of Commerce
- Maryland Women's Business Center
- TEDCO Women Entrepreneurs Program



**MONTGOMERY COUNTY COUNCIL**  
ROCKVILLE, MARYLAND

**OFFICE OF THE COUNCIL PRESIDENT**

**M E M O R A N D U M**

April 13, 2022

TO: County Council  
(69)

FROM: Gabe Albornoz, Council President

SUBJECT: Proposed Process for Review of the FY23 Operating Budget

This memorandum presents my recommended approach to this year's operating budget. Our staff has already shared its concerns about the Executive-recommended FY23 budget, including the ways in which it deviates from adopted fiscal policies and the significant additions to the base budget, which may not be sustainable. Our challenge for this year will be adopt a budget that more closely adheres to adopted fiscal policies and reduces additions to the base budget, while simultaneously funding the most critical direct services. I am hoping the following recommendations can help us rise to this challenge.

1. I have asked staff to identify where the budget is not consistent with adopted fiscal policies and to make recommendations for adjustments where possible. For Other Post Employment Benefits (OPEB), I support the recommendation staff will share with the Council on April 19 that we not withdraw money from the Health Trust before the Council has adopted a new policy prescribing when withdrawals would be appropriate. I have asked them to develop this addition to our fiscal policies over the summer for the Council's consideration in the fall.
2. To ensure the ongoing sustainability of the budget, I have asked staff to identify options for the Council to consider that reduce the growth in the base budget proposed in the Executive's budget. This can be done through one of three options:
  - a. outright reductions,
  - b. changing additions from increases to the base budget to one-time expenditures that can be reconsidered during our review of the FY24 operating budget, and/or
  - c. delaying some expenditures until January 2023, when the Council will have updated information regarding FY23 revenues.

Potential targets for the Council's consideration will be identified in the staff overview on the operating budget scheduled for April 19. Specific reductions will be identified in the memoranda for the Committee worksessions.

3. I recognize that the Council may want to make some additions to the budget as well to ensure that its priorities are funded. We will need to find reductions that can allow us to make room in the budget for those additions. I ask that you make every effort to minimize additions to the base budget and whenever possible focus on one-time expenditures or additions that can be delayed until January 2023. Potential additions identified during the Committees' review should be categorized as additions to the base budget, one-time expenditures, or expenditures that can be delayed pending the December revenue update. Additions that are more than \$500,000 should be broken into more than one item which can be considered in tiers.
4. In determining where reductions to the budget are feasible and where additions are necessary, we should continue to maintain our focus on racial equity issues and supporting our most vulnerable citizens, many of whom are still struggling to recover from the impact of the pandemic. This has, and should continue to be, a Council priority.