

**MEMORANDUM**

April 18, 2014

TO: Planning, Housing and Economic Development Committee  
FROM: Jacob Sesker, Senior Legislative Analyst *JS*  
SUBJECT: FY15 Operating Budget: Conference Center NDA

The following persons are expected to attend this worksession: Steve Silverman, Director of Economic Development; Tina Benjamin, Special Projects Manager (DED); Jahantab Siddiqui (OMB).

The relevant pages from the FY15 Recommended Operating Budget are attached on © 1-2.

**Staff Recommendation: Concur with Recommended Budget for Conference Center NDA**

**Overview**

The County Executive's FY15 request of \$562,967 represents a decrease of \$43,289 relative to the FY14 Approved Budget of \$606,256. The FY15 request includes 1.00 FTE, which represents no change from the FY14 Approved Budget. The decrease is attributable to a \$50,000 management audit that is performed every other year.

<i>Change</i>	<i>Expenditure</i>	<i>FTEs</i>
<b>FY14 Approved Budget</b>	<b>\$606,256</b>	<b>1.00</b>
Increase Cost: FY15 Compensation Adjustment	\$9,202	0.00
Decrease Cost: Annualization of FY14 Personnel Costs	(\$2,491)	0.00
Decrease Cost: Biennial Audit for the Conference Center	(\$50,000)	0.00
<b>FY15 Recommended Budget</b>	<b>\$562,967</b>	<b>1.00</b>

Since the Conference Center opened in 2004, this NDA has funded the following: a full-time position to manage the operational and fiscal oversight of the Conference Center complex;

non-routine repairs, alterations, improvements, renewals and replacements; and the designated reserve required by the management agreement with Marriott International. Funding is also included to reimburse the contractor for operating losses during any accounting period, to be offset by contractor payments to the County during accounting periods in which there are operating surpluses.

Related to the Conference Center, redevelopment in White Flint/North Bethesda is moving ahead rapidly. On April 28, 2014, the PHED Committee will review a CIP amendment that will fund, using land sale proceeds, a new garage adjacent to the Conference Center. DED provided the following response to Council Staff questions regarding the impact of that project on the Conference Center and hotel operations:

*The temporary loss of on-site parking and the adjacent road construction will undoubtedly affect the operations of the conference center and hotel. The facility manager, Marriott International, has been through similar disruptions in the past ten years (i.e., the construction of the second hotel tower, replacement of carpeting throughout the building, etc.) and is adept at working with design/construction teams to ensure the successful continuity of operations.*

*Having said that, Marriott will need to use private/public parking lots/garages during the construction phase and also employ shuttle services from these parking facilities to the conference center when on-site valet parking and vehicle stacking is not adequate to meet the parking demand. The good thing about the conference center operations is that Marriott will know well in advance when off-site parking is needed, and will be in daily contact with the project team to understand the impact of construction activities on the site and the adjacent roads.*

*While Marriott will make every attempt to minimize the disruption that the construction will undoubtedly cause a 30-50% decline in revenues and profit during the 12-month construction period is anticipated, currently estimated to take place predominantly during FY16. This decline will be due to increased costs associated with off-site parking, shuttle and valet service, and due to the fact that some groups will choose not to hold meetings at the conference center during substantial construction.*

Attachment: © 1 Recommended FY15 Operating Budget: Conference Center NDA

Revenue Code's §415 limits on payments from a qualified retirement plan. Payment of these benefits from the County's Employees' Retirement System (ERS) would jeopardize the qualified nature of the County's ERS. The amount in this NDA will vary based on future changes in the Consumer Price Index (CPI) affecting benefit payments, new retirees with a non-qualified level of benefits, and changes in Federal law governing the level of qualified benefits.

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

Management Leadership Service Performance-Based Pay Awards: In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments. Performance-Based awards for MLS employees are funded in FY15.

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

<i>FY15 Recommended Changes</i>	Expenditures	FTEs
<b>FY14 Approved</b>	<b>2,549,342</b>	<b>0.88</b>
Increase Cost: MLS Pay for Performance - Non-Tax Supported	21,428	0.00
Increase Cost: FY15 Compensation Adjustment	4,442	0.00
Decrease Cost: Deferred Compensation Management	-27,752	0.20
Decrease Cost: MLS Pay for Performance - Tax Supported	-140,446	0.00
<b>FY15 CE Recommended</b>	<b>2,407,014</b>	<b>1.08</b>

### **Conference and Visitors Bureau**

The Conference and Visitors Bureau (CVB) promotes Montgomery County as a destination for meetings/conferences, student group travel, group tours, leisure travel, and amateur sports events. The CVB develops and distributes publications on points of interest to tourists; implements public information campaigns promoting tourism and event facilitation in Montgomery County; and attends trade shows and sales missions in target markets. The CVB also serves as a resource center assisting small and large hospitality businesses considering new product development and/or expansions. The CVB coordinates with the State Department of Tourism, State Film Office, Capital Region USA (CRUSA), TEAM Maryland, and national and regional events to promote tourism growth, increased visitor spending and visitation in Montgomery County. The CVB manages the tourism marketing grant provided annually by the Maryland Tourism Development Board. The CVB operates on contract with the Department of Economic Development. Funding is based on 7 percent of the total hotel/motel tax revenues.

<i>FY15 Recommended Changes</i>	Expenditures	FTEs
<b>FY14 Approved</b>	<b>1,242,696</b>	<b>0.00</b>
Decrease Cost: Allocation Based on Revised Hotel/Motel Tax Estimate	-16,848	0.00
<b>FY15 CE Recommended</b>	<b>1,225,848</b>	<b>0.00</b>

### **Conference Center**

Prior to FY06, the Conference Center NDA primarily provided for pre-opening expenses. Since the Conference Center opened in November 2004, the NDA has expanded its scope to fund:

- a full-time position to manage the operational and fiscal oversight of the Conference Center complex;
- non-routine repairs, alterations, improvements, renewals, and replacements; and
- the designated reserve required by the management agreement with Marriott International, Inc.

Funding is also included to reimburse the contractor for costs not covered by operations during accounting periods when losses occur. These costs will be offset by contractor payments to the County during accounting periods with operating gains. To ensure fiscal and operational accountability, a management audit is conducted every two years and the program budget is increased by \$50,000 during the year such audit is scheduled. Revenues consisting of net operating income from the Conference Center and land rent from the hotel are also reflected in the NDA. Twenty percent of the County's net proceeds from Conference Center operations will be retained for investment in marketing and facility improvements that will increase Conference Center usage. All proposed investment expenditures will be reviewed and approved by the Conference Center Management Committee.

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>606,256</b>	<b>1.00</b>
Increase Cost: FY15 Compensation Adjustment	9,202	0.00
Decrease Cost: Annualization of FY14 Personnel Costs	-2,491	0.00
Decrease Cost: Biennial Conference Center Audit	-50,000	0.00
<b>FY15 CE Recommended</b>	<b>562,967</b>	<b>1.00</b>

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

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

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>83,700,000</b>	<b>0.00</b>
Decrease Cost: Implementation of Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015	-25,393,000	0.00
<b>FY15 CE Recommended</b>	<b>58,307,000</b>	<b>0.00</b>

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

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

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>2,372,000</b>	<b>0.00</b>
Decrease Cost: Implementation of Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015	-398,000	0.00
<b>FY15 CE Recommended</b>	<b>1,974,000</b>	<b>0.00</b>

### **Council of Governments**

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

This NDA reflects Montgomery County's share of the organization's operation plus special COG initiatives. Additionally, the contribution supports the Cooperative Purchasing Program; the Anacostia Restoration Fund; and the Regional Environmental Fund.

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

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>796,668</b>	<b>0.00</b>
Increase Cost: Annual Membership Dues	19,741	0.00
<b>FY15 CE Recommended</b>	<b>816,409</b>	<b>0.00</b>

### **County Associations**

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

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>72,710</b>	<b>0.00</b>
Increase Cost: NACo Membership Dues	2,018	0.00
<b>FY15 CE Recommended</b>	<b>74,728</b>	<b>0.00</b>

### **Device Client Management**

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