

MEMORANDUM

May 2, 2022

TO: Planning, Housing, and Economic Development Committee

FROM: Gene Smith, Legislative Analyst

SUBJECT: **FY23 Operating Budget: Conference Center Non-Departmental Account (NDA)**

PURPOSE: Review and make recommendation to the Council

Those expected for this worksession:

Ruth Semple, Business Advancement Team, Office of the County Executive
Felicia Hyatt, Fiscal and Policy Analyst, Office of Management and Budget

Summary of FY23 Recommended Budget – Conference Center NDA

	FY22 Approved	FY23 CE Recommended	Change from FY22 Approved
General Fund	\$590,420	\$525,420	(11.0%)
Personnel Costs	\$124,683 1.00 FTEs	\$110,158 1.00 FTEs	(11.7%) 0.00 FTEs
Operating Costs	\$465,737	\$415,262	(10.8%)
Total Expenditures (All Funds)	\$590,420 1.00 FTEs	\$525,420 1.00 FTEs	(11.0%) 0.0%

See the Executive’s recommendation on ©1. The FY23 budget is expected to decrease by \$65,000 compared to FY22. The County requires a biennial management audit, which increases or decreases the budget by \$50,000 every other year. In addition, there is anticipated savings in personnel costs this year for this NDA. This NDA also funds expenditures for:

- One full-time position to manage the operation and fiscal oversight of the Conference Center;
- Non-routine repairs, alterations, improvements, renewals, and replacements; and
- The designated reserve required by the management agreement.

Funding is also included to reimburse the contractor for costs not covered by operations during accounting periods where losses occur. These costs are offset by contractor payments to the County during accounting periods with operating gains.

A. Expenditures

Previous fiscal year expenditures for this NDA have fluctuated based on the County’s personnel costs and the management audit. During the pandemic, there was also little fluctuation in the annual appropriation through the operating budget for this NDA. The Council, however, did approve several special appropriations during the pandemic. The additional appropriation was required to cover operating deficits, as required by the management agreement.

B. Revenue

The Conference Center generates annual revenue that accrues to the County’s General Fund through ground lease payments and through profit, net of contributions to the capital reserve. The table below details these revenues and debt service payments for the Conference Center. Debt payments include bond series for purchasing the site and construction; final payment date is in FY23. Table 1 below details the debt service payments, operating profit (loss), and ground lease payments since inception. This table does not include \$5.92 million in special appropriations in FY21 and FY22.

Table 1: Conference Center – Select County Transactions FY99-FY23 Rec.

	Debt Payments	Profit	Ground Lease
FY99-04	\$5,629,096	-	-
FY05	\$1,904,509	\$1,946,519	\$125,000
FY06	\$1,901,051	\$1,605,167	\$125,000
FY07	\$2,211,269	\$1,159,812	\$125,000
FY08	\$2,216,061	\$1,660,900	\$319,100
FY09	\$2,490,519	\$903,362	\$319,104
FY10	\$1,903,289	\$1,081,182	\$319,103
FY11	\$1,901,647	\$1,268,712	\$319,104
FY12	\$1,903,886	\$1,038,635	\$319,100
FY13	\$309,649	\$1,247,374	\$345,692
FY14	\$645,334	\$1,257,918	\$319,100
FY15	\$981,134	\$1,688,878	\$319,100
FY16	\$985,034	\$1,815,026	\$319,100
FY17	\$988,534	\$1,553,311	\$319,100
FY18	\$986,634	\$2,185,367	\$319,100
FY19	\$989,434	\$2,441,577	\$319,100
FY20	\$991,834	\$1,365,219	\$319,100
FY21	\$987,709	(\$2,579,691)	\$345,692
FY22 Est.	\$991,000	(\$108,673)	\$319,100
FY23 Rec.	\$991,000	\$1,000,000	\$319,100
Total	\$31,908,623	\$22,530,595	\$5,533,795

Source: OMB, FY01-FY23 Budget books; Finance.

The Conference Center, for the first time, posted an operating loss due to the pandemic closures in FY21. The Council approved multiple special appropriations to address this operating loss as required by the management agreement. Executive staff notes that the Conference Center's profit has improved in FY22, so about 50% of \$1.92 million special appropriation has been disbursed. Should the Conference Center's operation continue as projected, it is likely the remaining FY22 authority will not be needed to address revenue losses in FY22.

Council staff concurs with the Executive's recommendation for this NDA.

This packet contains:

Executive's recommended FY23 budget

Circle #

1

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 deposited into the general fund. Twenty percent of the County's net proceeds from Conference Center operations is retained for investment in marketing and facility improvements to increase Conference Center usage. All proposed investment expenditures are reviewed and approved by the Conference Center Management Committee.

FY23 Recommended Changes	Expenditures	FTEs
FY22 Approved	590,420	1.00
Increase Cost: FY23 Compensation Adjustment	788	0.00
Decrease Cost: Annualization of FY22 Personnel Costs	(17,886)	0.00
Decrease Cost: Conference Center - Biannual Management Audit	(50,000)	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	2,573	0.00
FY23 Recommended	525,895	1.00