



Committee: Directly to Council
Committee Review: N/A
Staff: Vivian Yao, Legislative Analyst
Purpose: Receive briefing and have discussion – no vote expected
Keywords: CUPF, Enterprise Fund

AGENDA ITEM #19
December 1, 2020
Discussion

SUBJECT

Briefing: Community Use of Public Facilities Enterprise Fund (CUPF)

EXPECTED ATTENDEES

- Ramona Bell-Pearson, Director, CUPF
- Patricia Vitale, Financial Administrator, CUPF
- Deborah Lambert, Office of Management and Budget

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

N/A

DESCRIPTION/ISSUE

The Council will receive an update on the status of the CUPF Enterprise Fund. During the discussion of the FY21 CUPF operating budget, the Council identified the need to monitor CUPF revenue and expenditures during the fiscal year because of the impact of COVID-19 on community use revenues resulting from facility closures. In the spring, the Department was losing \$1 million in revenue each month that public facilities were offline; however, whether public facilities would become available for public use and the extent to which concerns related to the pandemic would impact public demand for facility use was unknown. Councilmembers noted that the Council might need to intervene if revenue loss threatened the viability of operations

SUMMARY OF KEY DISCUSSION POINTS

CUPF provides community users and public agencies with access to public facilities for services, programs, and events. The program is supported by an enterprise fund and does not receive tax dollars to support its operations. Council staff notes that the CUPF Fund Balance is not a pot of money held in an account but is essentially a point-in-time calculation balancing revenues and expenditures at the end of each fiscal year. In recent years efforts have been made to fund Council priorities, including ballfield renovation and fee assistance subsidies, when total resources projected in the enterprise fund were higher than the policy target of 10% of annual resources.

The Executive's CUPF Analysis of Cash Flow During COVID-19 Pandemic presentation is attached at ©1-15. Some of the key points provided in the presentation include:

- **Facilities permitted during COVID:**
 - MCPS indoor facilities were closed for community use in March 2020.
 - Child care services in MCPS facilities resumed in September 2020.

- Field use resumed for permitting in May 2020.
 - Parking lots have been permitted for food distribution, and high schools were used as November election sites.
 - The Silver Spring Civic Building has been used for COVID testing, primary and general election early voting and election day site, a cooling site in the summer, and an ice rink outdoor skill building station in the fall/winter.
- **CUPF staff reassignment during COVID:** 30% of the CUPF workforce have been detailed to other departments including Board of Elections, Alcohol and Beverage Services Department, Health and Humans Services, and Office of Human Resources.
 - **School-Age Distance Learning and Educational Equity and Enrichment (EEE) Hubs:** CUPF has managed the administration of reopening child care for school age children in MCPS facilities. Child care in public facilities opened on September 15 and has grown to 63 schools with approximately 2-3 classrooms and 13 students in each room.
 - **Enterprise Fund policies:** The CUPF Enterprise Fund was established to maintain adequate working capital for operations and protect against the volatility in CUPF revenues and expenditures. The Fund was established with a reserve target of 10% of annual resources to provide working capital and protect against revenue short falls or over expenditures, to support periodic reinvestment in information technology, and to support program response to community needs and interests.
 - **FY20 year end-fund balance and FY21 monthly cash flow:** The fund balance at the start of FY21 was \$3,405,222. Council notes that Executive staff projected the year-end fund balance to be between \$3.1 - \$3.5 million during the Council’s consideration of the FY21 operating budget. The ending fund balance for FY20 was \$2.2 million lower than what was projected before the pandemic.
 - **FY21 monthly cash flow:** The monthly net cash loss to the enterprise fund has ranged from \$296,204 to \$790,898 with an average monthly net cash loss of \$531,196.
 - **Projected cash flow and projected FY21 fund balance:**
 - CUPF projected cash flow according to two scenarios described on ©8. Scenario A generally assumes some use of public building facilities in the 4th quarter of FY21 while Scenario B assumes continued closure of public buildings for public use.
 - The following table provides projections on fixed and variable costs, total revenue, net cash flow, and the impact of cash flow on the fund balance.

FY21 Projections	Scenario A	Scenario B
Total fixed costs ¹	\$8,408,478	\$8,408,478
Total variable costs ²	\$594,724	\$219,488
Total estimate costs	\$9,003,202	\$8,627,966
Total revenue	\$3,031,085	\$2,342,170

¹ Fixed costs include: CUPF personnel, MCPS utility reimbursement, net transfers, CIP current revenue, MCPS maintenance reimbursement, rent for 255 Rockville, MCPS weekend supervisors, MCPS custodial supplies, MCPS energy management position, Wheaton building costs, and IT specialist.

² Variable costs include: MCPS staff reimbursement, MCPS equipment reimbursement, and other costs (SSCB security, fee study cost, supplies).

Net cash flow	-\$5,972,117	-\$6,285,796
FY21 year-end fund balance	-\$2,566,895	-\$2,880,574

- **Actions to mitigate loss:** CUPF is working with DGS to identify other potential county facilities that can be used for public space to substitute for MCPS facilities. CUPF is also working with MCPS to determine the extent to which operations can transfer to closed schools when reopening occurs with social distancing measures continuing.
- **Potential actions to address projected budget deficits:** FY21 CUPF savings plan, FY21 supplemental appropriation to cover CUPF, FY22 target reductions (previous levels of community use may not return before end of the fiscal year).

Questions for follow up:

The Council may want to discuss the following:

- **Targeted budget reductions:** What items could be contemplated for reduction in a savings plan or the FY22 budget? How will the Executive treat Council funding priorities like field renovation and subsidized facility/field use for targeted populations in need?
- **Adjustments to Fixed Costs:** To what extent have reassigned CUPF staff supported the County’s COVID response and can CARES funding reimburse the Department for these staff costs? Does it make sense to reimburse MCPS for certain costs, which are based on costs incurred in previous fiscal years, e.g., utility reimbursement, when regular community use of schools is not happening? If the standard process is used in this atypical year, then the County would be reimbursing MCPS when revenues are not available and would likely have minimal costs when revenues are likely to improve.
- **Supplemental appropriation:** When will the Executive likely send over a supplemental appropriation request? Is timing tied to projected level of the fund balance, i.e., when it falls to under 10% of resources or into a projected negative balance? What amount of appropriation will likely be requested, i.e., to end the fiscal year in the black or up to a certain percentage of resources?
- **Interagency Coordinating Board (ICB) input:** Has the ICB, the policy-making entity for CUPF, weighed in on any of these policy concerns? If so, what input have they provided. If not, when could their input be solicited?

In any case, Council staff recommends that the Council receive an update on the status of the enterprise fund in March prior to consideration of the FY22 budget.

This report contains:

Alternative format requests for people with disabilities. If you need assistance accessing this report you may [submit alternative format requests](#) to the ADA Compliance Manager. The ADA Compliance Manager can also be reached at 240-777-6197 (TTY 240-777-6196) or at adacompliance@montgomerycountymd.gov



Community Use of Public Facilities

MONTGOMERY COUNTY INTERAGENCY COORDINATING BOARD

ANALYSIS OF CASH FLOW DURING COVID-19 PANDEMIC

What Is CUPF Doing During COVID

- CUPF issues permits primarily for MCPS indoor facilities which have been closed for community use since March 2020
- Field Use resumed for permitting purposes in May 2020
- Child Care Services in MCPS facilities resumed permitted use in September 2020
- Permitting has occurred for parking lots used as food distribution as well as for high schools used as November election sites
- CUPF Staff manages the Facility Fee Assistance Program for distribution of CARES Act funding for youth sports
- CUPF Staff at the Civic Building has been managing facility use as a weekly COVID test site; as a primary elections and general elections early and election day site in May-June 2020 and October-November 2020; as a cooling station in the summer months and ice rink outdoor skill building station in the fall/winter months

What Is CUPF Doing During COVID

- In addition to booking permits, our Core Services Team is preparing for the transfer to the new software system, scheduled to begin in 2021.

They are surveying all facilities and equipment while assessing policies & procedures to collect critical data required to develop the infrastructure upon which the new software will operate.

- Once facility closures were announced, CUPF Staff spent many weeks between March 16, 2020 and June 15, 2020 cancelling over 10,000 permits. All together there were four rounds of cancellations performed to ensure refunds, credits and proper payments.
- CUPF Staff has been reassigned to outside Departments to support county operations at the Board of Elections, Alcohol and Beverage Services Department, Health and Human Services Department, and Office of Human Resources with approximately 30% of the CUPF workforce detailed currently or in the recent past to those assignments.

School Aged Distance Learning and Equity Education Hubs

CUPF has also put many resources into managing the administration of child care for MCPS facilities reopening for school aged care.

Distance Learning Hubs opened on September 15, 2020 in individual elementary schools and has grown from 53 school locations to 63 locations. Each school has approximately 2 to 3 classrooms with 13 students in each room.

More recently the Distance Hubs have been joined by Equity Education Hubs that follow the same model and are run by existing child care Providers in partnership with the Children's Opportunity Fund and the Brown and Black Coalition.

Throughout the shut down in March and into the reopening and current operations of Hubs our Child Care Team has been in constant communication with Providers, schools and MSDE.

Enterprise Fund - Creation

The Fund was established for the express purpose of maintaining sufficient funds to provide adequate working capital for operations and to protect against volatility in CUPF revenues and expenditures.

Prior to creation of the fund local jurisdictions such as Anne Arundel, Prince Georges, Baltimore and Fairfax Counties were surveyed as part of a benchmarking study performed over a multi- year analysis.

The Interagency Coordinating Board (ICB) determined that Community Use of Public Facilities (CUPF) needed a cushion to protect against losses that may be experienced during a period of revenue losses.

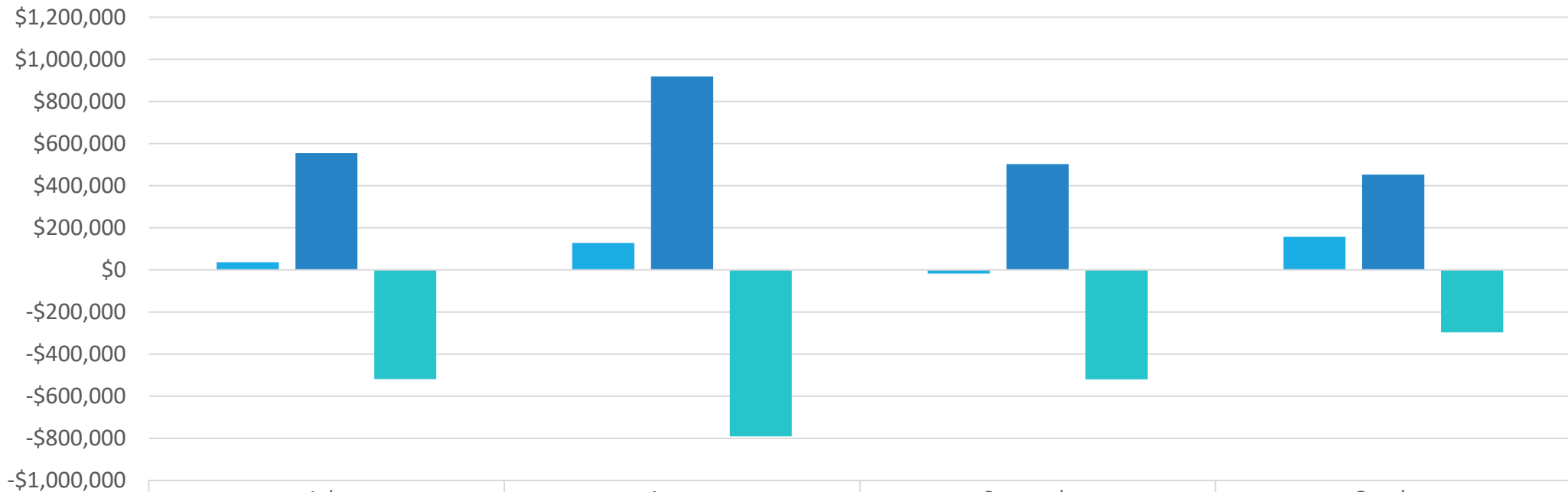
Enterprise Fund - Reserve

The Fund was established with a requirement that a reserve be maintained amounting to 10% of the annual resources.

That 10% reserve consists of:

- 2.5% for combined needs of working capital and protection against revenue short falls or in the event of over expenditures (risk management)
- 2.5% of the annual average over several years for accumulation of funds for periodic reinvestment in IT; and
- 5% to provide funding for program experimentation to allow for reaction to community needs and interests.

CUPF Net Cash Flow - FY21 YTD



	July	August	September	October
Revenue	\$36,593	\$128,270	-\$16,742	\$156,783
Expenses*	\$554,748	\$919,168	\$502,785	\$452,987
Net	-\$518,155	-\$790,898	-\$519,527	-\$296,204

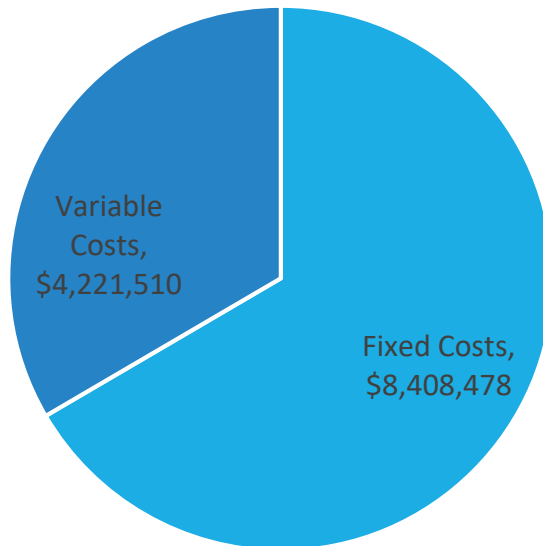
*Expenses include amounts incurred but not yet paid due to lack of valid MOU with MCPS to reimburse for utilities (\$177,351/month) and custodial supplies (\$149,004 paid in July).

Assumptions Moving Forward: Two Scenarios

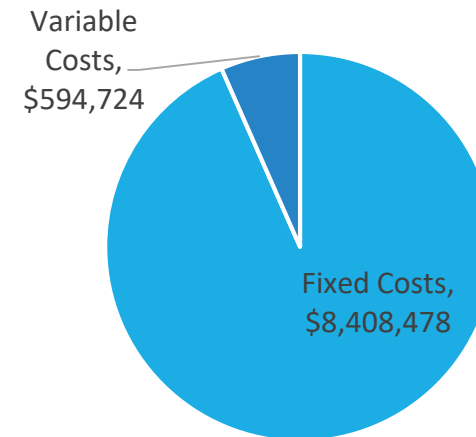
	Scenario A	Scenario B
County Buildings	No community use July-March of FY21; 50% decrease from previous years April-June.	No community use in FY21.
Fields	80% of previous average use in first 3 quarters; 100% of previous average use in 4 th quarter.	Same as Scenario A.
School Buildings	No community use July-March; 50% decrease from previous years April-June; childcare at 50% of previous average April-June.	No community use in FY21; COVID-level childcare through June.
Silver Spring Civic Building	COVID testing only July-March; 50% less than average revenue April-June; Farm Market in all of first quarter, half of second quarter, two weeks of 3 rd quarter, all of 4 th quarter.	COVID testing all 4 quarters; Farm Market in all of first quarter, half of second quarter, two weeks of third quarter, all of fourth quarter.

Breakdown of Fixed vs. Variable Expenses

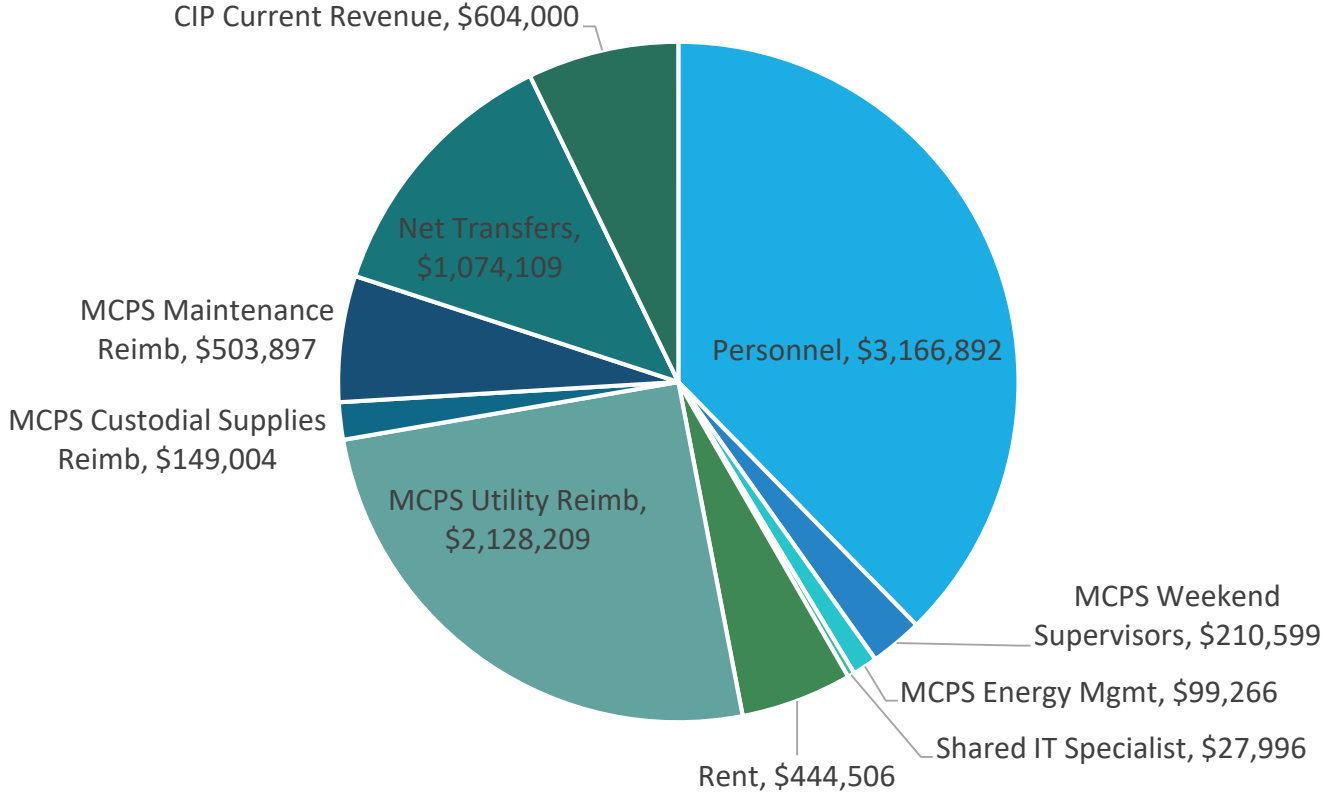
PRE-COVID BREAKDOWN



CURRENT PROJECTED BREAKDOWN



CUPF Fixed Costs



CUPF FY21 Projected Expenses

Fixed Costs	
CUPF Personnel	\$3,166,892
MCPS Weekend Supervisors, Salary & Overtime	\$210,599
MCPS Energy Mgmt Position, Salary	\$99,266
IT Specialist, shared with Rec & Parks	\$27,996
Rent, 255 Rockville Pike	\$350,083
Wheaton Bldg: Parking, Maint, Water, Energy	\$94,423
MCPS Utility Reimbursement	\$2,128,209
MCPS Custodial Supplies Reimb.	\$149,004
MCPS Maintenance Reimbursement	\$503,897
Operating Expenses Subtotal	\$6,730,369
Net Transfers (Transfers out: Wheaton Bldg debt service; indirect staff costs, CAP; Transfers in: Elections)	\$1,074,109
CIP Current Revenue (Software replacement & Ballfield Initiative)	\$604,000
Total Fixed Costs	\$8,408,478

Variable Costs	Scenario A	Scenario B
MCPS Staff Reimbursement	\$365,010	\$0
MCPS Equipment Reimbursement	\$6,492	\$0
Other (Security for SSCB, cost of Fee Study, supplies)	\$223,222	\$219,488
Total Variable Costs	\$594,724	\$219,488

Total Estimated FY21 Costs	
Scenario A	Scenario B
\$9,003,202	\$8,627,966

Projected FY21 Cash Flow

	FY21 CE Appr.	Scenario A	Scenario B
Projected FY21 Revenue	\$11,975,233	\$3,031,085	\$2,342,170
FY21 Fixed Costs		-\$6,730,369	-\$6,730,369
FY21 Variable Costs		-\$594,724	-\$219,488
FY21 Net Transfers (Transfers out: Wheaton Bldg debt service, indirect staff costs, CAP; Transfers in: Elections)		-\$1,074,109	-\$1,074,109
FY21 Contribution to Shared Agency Booking System Replacement CIP Project		-\$304,000	-\$304,000
FY21 Contribution to Ballfield Initiative CIP Project		-\$300,000	-\$300,000
Net Cash Flow		-\$5,972,117	-\$6,285,796

Impact of Cash Flow on Fund Balance

Ending Fund Balance	
FY19	\$6,508,019
FY20	\$3,405,222
FY21 Projected, Scenario A	-\$2,566,895
FY21 Projected, Scenario B	-\$2,880,574

Impact of Cash Flow on Reserves

	Scenario A	Scenario B
Beginning FY21 Fund Balance	\$3,405,222	\$3,405,222
+ Revenues	\$3,031,085	\$2,342,170
+ Net transfers (out)	-\$1,074,109	-\$1,074,109
= Total Resources	\$5,362,198	\$4,673,283
Projected Ending Fund Balance	-\$2,566,895	-\$2,880,574
÷ Total Resources	\$5,362,198	\$4,673,283
= Projected Reserve Balance	-47.9%	-61.6%

Where Do We Go From Here?

Currently under way to mitigate losses:

- CUPF is working with DGS to conduct a survey of county properties to determine if there are any additional resources that can be activated for community use to supplement and substitute for MCPS facilities.
- CUPF is looking at closed schools and working with MCPS to determine how operations can be covered to activate those facilities for community use once reopening is authorized. Social distancing and more space for less people will be needed for some time after things reopen and while the vaccine is being fully implemented.

Potential actions to address the projected budget deficit:

- FY21 CUPF savings plan
- FY21 supplemental appropriation to cover CUPF's budget deficit
- FY22 target reductions, given that previous levels of community use might not recover before the new fiscal year begins