



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: To introduce agenda item – no vote expected
Keywords: Economic Development, Conference Center

AGENDA ITEM #6
January 12, 2021
Public Hearing

SUBJECT

Special appropriation to the County Government's FY21 Operating Budget, Conference Center Non-Departmental Account, \$2,500,000

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Executive requests this special appropriation to support operating expenses of the Montgomery County Conference Center (see ©1-4). The Council previously approved a \$1.5 million appropriation to address any revenue shortfalls in July 2020. Due to the pandemic, another appropriation is required. The County owns the property jointly with the State, and the management agreement with Marriott requires that the County cover operating losses in an event the property does not generate a profit.

SUMMARY OF KEY DISCUSSION POINTS

- Since its opening in 2004, the County has received a profit from the center's operations. Most years the profit is in the range of \$1.4 million to \$1.9 million per the Executive's transmittal.
- The Conference Center's operations are restricted due to State and County health regulations. Based on the current health conditions, the Conference Center continues to estimate a loss through the first half of 2021 (see ©4).

This report contains:

Executive transmittal	© #1
Proposed resolution	© #2-3
Conference Center Budget Forecast 2021 Q1 and Q2	© #4

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



OFFICES OF THE COUNTY EXECUTIVE


Marc Elrich
County Executive

Richard S. Madaleno
Chief Administrative Officer

MEMORANDUM

December 3, 2020

TO: Tom Hucker, Council President

FROM: Marc Elrich, County Executive 

SUBJECT: Special Appropriation #21-506 to the FY21 Operating Budget
Montgomery County Government
Office of the County Executive, Business Advancement Team
Montgomery County Conference Center Non-Departmental Account, \$2,500,000

I am recommending a special appropriation to the Fiscal Year 2021 Operating Budget of the Conference Center Non-Department Account, administered by the Business Advancement Team in the Office of the County Executive, in the amount of \$2,500,000 to support the working capital needs of the Montgomery County Conference Center, from the general fund. These funds will provide for nominal essential operating expenses for the Conference Center until it can re-open, return to profitability and resume contributing its net profits back to the County's general fund.

The Conference Center has been closed due to the COVID19 pandemic and has no revenue due to the cancellation of events through December 2020 and well into 2021. The Conference Center currently has sufficient cash on hand to cover expenses through December 31, 2020.

I recommend that the County Council approve this special appropriation in the amount of \$2,500,000 and specify the source of funds as general funds. This special appropriation will reduce County General Government Fund Reserves by \$2,500,000 and is consistent with the fund balance policy for tax supported reserves. These funds were assumed in my March transmittal of the FY21 budget.

I appreciate your prompt consideration of this action.

ME:rs

Attachment: Special Appropriation #21-506

c: Tina Benjamin, Director, Business Advancement Team
Jennifer Bryant, Acting Director, OMB
Dave Kunes, Chief of Staff to Council President

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the Request of the County Executive

SUBJECT: Special Appropriation #21-506 to the FY21 Operating Budget
Montgomery County Government
Office of the County Executive, Business Advancement Team
Montgomery County Conference Center Non-Departmental Account, \$2,500,000

Background

1. Section 308 of the Montgomery County Charter provides that a special appropriation: (a) may be made at any time after public notice by news release; (b) must state that the special appropriation is necessary to meet an unforeseen disaster or other emergency or to act without delay in the public interest; (c) must specify the revenues necessary to finance it; and (d) must be approved by no fewer than six members of the Council.
2. The County Executive has requested the following FY21 special appropriation for the Office of the County Executive, Business Advancement Team:

<u>Personnel</u> <u>Services</u>	<u>Operating</u> <u>Expenses</u>	<u>Capital</u> <u>Outlay</u>	<u>Total</u>	<u>Source</u> <u>of Funds</u>
\$0	\$2,500,000	\$0	\$2,500,000	General Funds

3. The special appropriation is needed to fund essential costs of the Conference Center until it can reopen. It has been closed due to the COVID19 pandemic and has no revenue due to the cancellation of events through December 2020. The Conference Center currently has sufficient cash on hand to cover expenses through December 31, 2020.
4. The County Executive has requested a special appropriation to the FY21 Operating Budget in the amount of \$2,500,000 for the Conference Center Non-Departmental Account, housed in the Business Advancement Team in the Office of the County Executive. The source of funds will be the general fund.
5. The public was notified by a news release.

Action

The County Council for Montgomery County, Maryland, approves the following actions:

1. A special appropriation to the FY21 Operating Budget of the Office of the County Executive is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$2,500,000	\$0	\$2,500,000	General Funds

2. The County Council declares that this action is necessary to meet an unforeseen disaster or other emergency and that this appropriation is needed to meet the emergency.

This is a correct copy of Council action.

Selena Mendy Singletary, Esq.
Clerk of the Council

2021 Q1 and Q2 Forecast (Worst Case Scenario)

	2021						
	Opening Bal.	Jan	Feb	Mar	Apr	May	Jun
	as of 1.1.2021	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Hotel and Conference Center Status							
Total Revenue		\$10,000	\$10,000	\$17,305	\$60,872	\$75,000	\$77,500
Payroll Expenses		\$160,367	\$160,367	\$165,367	\$162,440	\$165,367	\$165,350
Other Expenses		\$135,250	\$135,250	\$145,290	\$155,500	\$155,500	\$155,500
Gross Operating Profit		-\$285,617	-\$285,617	-\$293,352	-\$257,068	-\$245,867	-\$243,350
Other Deductions - Land Lease & Equipment Lease							
Net House Profit		-\$285,617	-\$285,617	-\$293,352	-\$257,068	-\$245,867	-\$243,350
Accounts Receivable Balance (AR Aging)	\$2,000.00	\$2,000	\$2,000	\$3,000	\$5,000	\$5,000	\$5,000
Net impact to Cash				-\$1,000	-\$2,000		
Accounts Payable (AP Trade Balance)	\$15,000.00	\$15,000	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000
Net impact to Cash				\$5,000			
Advance Deposit	\$450,000.00	\$50,000	\$50,000	\$50,000	\$50,000	\$25,000	\$25,000
Net impact to Cash		-\$400,000				-\$25,000	
Management Fees *Prior Month		\$300	\$300	\$519	\$1,826	\$2,250	\$2,325
Funding to FF&E Reserve *Prior Month					\$3,044	\$3,750	\$3,875
Property/Real Estate Taxes							
Insurance Expense - Prior Month		\$5,783	\$3,925	\$1,403	\$4,027	-\$1,000	\$87
Other 0480 Department Deductions (permits, licenses, etc)		\$1,067	\$1,069	\$1,099	\$941	\$1,099	\$1,099
Sales/Use Tax Payment		\$600	\$600	\$1,038	\$3,652	\$4,500	\$4,650
Cash Flow from Other Deductions		\$7,749	\$5,894	\$4,059	\$13,490	\$10,599	\$12,036
Net Change in Cash		-\$693,366	-\$291,511	-\$293,411	-\$272,558	-\$281,466	-\$255,386
Beginning Operating Cash - Excludes FFE Cash Includes Safe Cash		\$50,000	-\$718,366	-\$1,059,877	-\$1,453,289	-\$1,775,847	-\$2,157,313
Net Change in Cash		-\$693,366	-\$291,511	-\$293,411	-\$272,558	-\$281,466	-\$255,386
Available Operating Cash		-\$643,366	-\$1,009,877	-\$1,353,289	-\$1,725,847	-\$2,057,313	-\$2,412,699
Major Repairs Expenses/ FF&E Expenses		\$75,000	\$50,000	\$100,000	\$50,000	\$100,000	\$100,000
Intercompany Impact		\$0	\$0	\$0	\$0	\$0	\$0
Distributions		\$0	\$0	\$0	\$0	\$0	\$0
Working Capital funding from Ownership		\$0	\$0	\$0	\$0	\$0	\$0
Ending Cash Balance		-\$718,366	-\$1,059,877	-\$1,453,289	-\$1,775,847	-\$2,157,313	-\$2,512,699