

SUBJECT

Montgomery County Economic Development Corporation Non-Departmental Account (NDA)

EXPECTED ATTENDEES

Ben Wu, Montgomery County Economic Development Corporation
Pofen Salem, Office of Management and Budget

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$5,007,750	0.00 FTE
Increase (Decrease) from FY20	\$0 0.0%	0.00 FTE 0.0%

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$5,007,750	0.00 FTE
Increase (Decrease) from FY20	\$0 0.0%	0.00 FTE 0.0%

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- None.

CONTINUITY OF SERVICES FROM FY20

- See ©2 for the organization's proposed FY21 budget to be reviewed by its Board of Directors and approved later. The organization proposed similar expenditures in FY20, but it has only spent \$3.3 million as of March 2020 (see ©3-4).
- The organization reported approximately \$2.1 million in reserves at the end of FY19; approximately \$1.2 million in undesignated reserves and \$0.9 million in designated reserves (see ©5 for an excerpt from its 2019 audited financial statements).

POTENTIAL REDUCTIONS

- None.

POTENTIAL ITEMS RELATED TO COVID-19

- The organization is developing a work plan in response to the health crisis (see ©6 for the introduction to that plan).

This report contains:

Executive recommended FY21 budget	© #1
MCEDC's proposed FY21 budget	© #2
MCEDC's March 2020 financial statement	© #3-4
Excerpt from MCEDC's audited financial statement	© #5
Excerpt from MCEDC's proposed FY21 work plan	© #6

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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.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	5,007,750	0.00
FY21 Recommended	5,007,750	0.00

Montgomery County Economic Development Corporation Draft FY21 Budget

			FY20 Approved Budget	FY21 Proposed Budget
INCOME				
	Revenue			
		Montgomery County Contribution	5,007,750.00	5,007,750.00
		Private Fundraising	350,000.00	350,000.00
		Interest Income	3,000.00	2,000.00
	Total Revenue		5,360,750.00	5,359,750.00
EXPENSES				
	Personnel Costs			
		Salaries & Wages	2,709,011.00	2,740,494.00
		Benefits & Payroll Taxes	698,672.00	725,922.00
	Professional Services			
		Legal	45,000.00	20,000.00
		Human Resources	90,000.00	23,925.00
		Accounting/Audit	85,000.00	61,500.00
		Misc Subcontractors	25,000.00	22,000.00
	Insurance			
		Prop & Liability; WC: Commercial; D&O	22,000.00	22,000.00
	Partnership			
		Partnerships	125,000.00	300,000.00
	Membership/Subscription Services			
		Membership Dues	35,000.00	27,487.00
		Research & BD Subscriptions	123,500.00	137,944.42
		Other Subscription Services	3,500.00	13,240.00
		Other Subscription Services		
	Professional Development		30,000.00	16,250.00
	Business Fees			
		Service Fees/Interest Charges	1,000.00	1,000.00
		Business Licenses and Filing Fees	1,300.00	1,000.00
	Operating Expenses			
		Rent	341,372.00	333,640.20
		Building Operating Expenses		10,000.00
		Parking		
		Personnel Parking	20,160.00	21,000.00
		Client Parking-Validation	2,400.00	2,400.00
		Internet/Telephone/Security		
		Telephone	9,000.00	9,500.00
		Security	1,527.40	1,750.00
		Internet/TV	4,458.00	4,600.00
		Office Supplies/Office Expenses		
		Office Supplies/ Misc Office Expenses	20,000.00	22,000.00
		Postage and Delivery	1,500.00	1,500.00
		Printing (internal)	13,000.00	13,000.00
		IT (Maintenance, Help Desk, Equip, Software)	65,000.00	30,000.00
		Partner Expense Reimbursement	-130,000.00	-130,000.00
		Depreciation	102,000.00	102,000.00
		Equipment Lease	7,100.00	7,100.00
	Miscellaneous Expenses			
		Office Space - FF&E	15,000.00	9,260.08
		Office Space - Buildout	0.00	0.00
	Business Travel			
		Airplane/Trains	50,000.00	30,000.00
		Lodging	40,000.00	25,000.00
		Local Travel (Mileage, Parking, Tolls)	10,000.00	7,500.00
	Meals & Entertainment			
		M&E-Meetings	2,000.00	2,000.00
		M&E-BD	15,000.00	7,500.00
		M&E- Marketing	1,000.00	1,000.00
		M&E- Other	2,000.00	2,000.00
	Business Development			
		Business Engagement Forums		25,000.00
		Familiarization Tours		7,500.00
		Tradeshows/Conferences/Events	100,000.00	50,000.00
		Sponsorships	100,000.00	50,000.00
	Marketing/Communications			
		Advertising and promotional campaigns	700,000.00	500,000.00
		Communications		50,000.00
		Digital Marketing/Website Maintenance		100,000.00
		Partnerships	100,000.00	150,000.00
		Sponsorships	100,000.00	100,000.00
	Strategic Initiatives		700,000.00	700,000.00
TOTAL EXPENSES			6,386,500.40	6,358,012.70
INCOME LESS EXPENSES			-1,025,750.40	-998,262.70

Montgomery County Economic Development (MCEDC)
Statement of Revenue and Expense From Operations
For the Period July 1, 2019 through June 30, 2020

	A	B	C	D
	3/31/2020	FY20	FY20	% of
		Budget	Budget	Budget
			Variance	
Revenue				
Montgomery County Contribution	\$ 5,007,750	\$ 5,007,750	-	100%
MBDC Transfer		-	-	
Reach Advisors Study	31,500	350,000	278,500	20%
Avalanche Study	40,000			
Interest Income	1,030	3,000	(1,970)	34%
Total Revenue	\$ 5,080,280	\$ 5,360,750	(280,470)	95%
Expenses				
Personnel Costs				
Salaries & Wages	1,580,284	\$ 2,709,011	(1,128,727)	58%
Benefits & Payroll Taxes	337,909	698,672	(360,763)	48%
Professional Services				
Legal	2,449	45,000	(42,551)	5%
Human Resources	88,753	90,000	(1,247)	99%
Accounting/Audit	49,552	85,000	(35,448)	58%
Misc Subcontractors	34,862	25,000	9,862	139%
Insurance				
Business Liability	17,558	11,000	6,558	160%
Worker's Comp		11,000	(11,000)	0%
Events/Sponsorships				
Tradeshows/Conferences/Events	91,119	100,000	(8,881)	91%
Sponsorships	95,706	100,000	(4,294)	96%
Partnerships	220,313	125,000	95,313	176%
Membership/Subs Services				
Membership Dues	23,248	35,000	(11,752)	66%
Research & BD Subscriptions	73,522	123,500	(49,978)	60%
Other Subscription Services	1,152	3,500	(2,348)	33%
Professional Development				
Professional Development	6,118	30,000	(23,882)	20%
Business Fees				
Service Fees/Interest Charges	15	1,000	(985)	2%
Business Licenses & Filing Fees	381	1,300	(919)	29%
Operating Expenses				
Office Rent	214,308	341,372	(127,064)	63%
Office Parking	12,934	20,160	(7,226)	64%
Guest Parking - Validation	3,474	2,400	1,074	145%
Telephone/Security/Internet	9,976	14,985	(5,009)	67%
Office Supplies/Misc. Office	7,757	20,000	(12,243)	39%
Postage & Delivery	480	1,500	(1,020)	32%
Printing (internal)	9,450	13,000	(3,550)	73%
IT Services	52,603	65,000	(12,397)	81%
Equipment Lease	4,671	7,100	(2,429)	66%
Reimbursement of Other Expenses	(97,371)	(130,000)	32,629	75%
Operating Expenses - Other				
Miscellaneous Expenses				
Office Space - Build Out		-	-	
Office Space - FF&E		15,000	(15,000)	0%
Depreciation	76,006	102,000	(25,994)	75%
Business Travel				
Airplane/Trains	7,792	50,000	(42,208)	16%
Lodging	16,559	40,000	(23,441)	41%

Local Travel (Parking/Tolls)	3,652	10,000	(6,348)	37%
Mileage Reimbursements	4,804	-	4,804	
Miscellaneous Travel	2,179	-	2,179	
Meals & Entertainment				
M&E - Meetings	2,687	2,000	687	134%
M&E - BD	3,240	15,000	(11,760)	22%
M&E - Marketing	1,429	1,000	429	143%
M&E - Other		2,000	(2,000)	0%
Project Costs				
Objectives for Goal 1 - Grow & Diversify	116,250	1,200,000	(851,070)	29%
Marketing/PR/Website		-	-	
Marketing Subcontractors	569	-	-	
Grow & Diversify - Other				
Video	57,600	-	-	
Media Buys	85,416	-	-	
Website/Social Media	71,285	-	-	
PR	3,439	-	-	
Collateral	11,935	-	-	
Marketing/PR/Website - Other	2,436	-	-	
Objectives for Goal 2 - Entrepreneurship & Innovation	-	325,000	(325,000)	0%
Objectives for Goal 3 - Engage Business Community to be Top 5	8,000	25,000	(17,000)	32%
Objectives for Goal 4 - Private Fundraising		50,000	(50,000)	0%
Total Expenses	\$ 3,316,501	\$ 6,386,500	\$ (3,069,999)	52%
Change in Unrestricted Net Assets	\$ 1,763,779	\$ (1,025,750)	\$ 2,789,529	-172%

No Assurance Provided

Montgomery County Economic Development Corporation

**Statements of Financial Position
June 30, 2019 and 2018**

Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,428,849	\$ 1,686,662
Accounts receivable - trade, net	674	10,510
Accounts receivable - other, net	25,000	50,000
Prepaid expenses	27,082	1,800
Property and equipment, net	722,427	817,675
Intangible asset, net	<u>17,774</u>	<u>23,868</u>
 Total assets	 <u>\$ 3,221,806</u>	 <u>\$ 2,590,515</u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 60,991	\$ 110,760
Accrued expenses	360,203	255,975
Deferred rent	<u>693,330</u>	<u>741,049</u>
 Total liabilities	 <u>1,114,524</u>	 <u>1,107,784</u>
 Commitments and contingencies	 -	 -
Net assets without donor restrictions		
Undesignated	1,157,282	1,482,731
Board designated	<u>900,000</u>	<u>-</u>
 Total net assets without donor restrictions	 2,057,282	 1,482,731
 Net assets with donor restrictions	 <u>50,000</u>	 <u>-</u>
 Total net assets	 <u>2,107,282</u>	 <u>1,482,731</u>
 Total liabilities and net assets	 <u>\$ 3,221,806</u>	 <u>\$ 2,590,515</u>

See Notes to Financial Statements.

Montgomery County Economic Development Corporation
Fiscal Year 2021 Budget Appropriation Submission and Workplan Draft
Submitted April 28, 2020 to the County Council

FY21 Appropriation Request: \$5,007,750
FY20 Appropriation Request: \$5,007,750

The Montgomery County Economic Development Corporation (MCEDC) is the public-private partnership entity that leads the County's business attraction, retention, and expansion efforts.

The current COVID-19 pandemic crisis, however, is creating what many analysts are predicting to be the greatest economic devastation of our generation locally, nationally, and globally. Accordingly, MCEDC is evolving beyond just its traditional economic development mission of attraction, retention, and expansion towards a new mission.

Current events mandate MCEDC to recalibrate. Out of necessity to help the County effectively address its COVID-19 coronavirus pandemic needs, MCEDC is now being relied upon to effectively respond and lead Montgomery County's economic development initiatives through to the other side of this crisis.

While the original MCEDC Fiscal Year 2021 draft workplan and appropriation as conceived this past January specifically focused on a continued implementation of the County Executive's Comprehensive Economic Strategy priorities around "A Growing Economy," the new MCEDC mission can be described as the 5R's: Response, Reopening, Recovery, Resilience, and Reform.

- **Response**: Helping the County respond to essential needs to address COVID-19 in the community, such as testing capacity and procurement, PPE manufacturing and supply, and anticipated surge requirements for hospital beds and critical care facilities.
- **Reopening**: Assisting to support plans for the gradual and eventual reopening of business after the stay-at-home orders have been lifted and safe social distancing mandates have been relaxed.
- **Recovery/Resilience**: Providing business assistance to help in the recovery and continuity of operations for an adversely impacted company. Providing for business survivability post-crisis and to rebuild a more resilient industry ecosystem.
- **Reform**: Improving the Montgomery County business climate and to enhance public-private partnerships in support of economic growth.

Key indicators we will track in FY21 include the unemployment rate, total businesses, the real estate vacancy rate, and key indices around industries most likely to be negatively impacted by changes in discretionary spending and personal contact, such as Retail, Accommodation and Food Service and Administrative Support & Waste Management sectors.