

M E M O R A N D U M

November 12, 2020

TO: Planning, Housing, and Economic Development (PHED) Committee

FROM: Gene Smith, Legislative Analyst

SUBJECT: Discussion – Resolution designating the Montgomery County Economic Development Corporation as the County’s Economic Development Corporation

PURPOSE: Open discussion and make recommendation on resolution

Those expected for this discussion:

Robby Brewer, Chair, Montgomery County Economic Development Corporation (MCEDC) Board
Kevin Beverly, Vice Chair, MCEDC Board
Elana Fine, Secretary, MCEDC Board
Carmen Larsen, Treasurer, MCEDC Board
Ben Wu, CEO and President, MCEDC
Bill Tompkins, Executive VP and COO, MCEDC
Brad Stewart, Senior VP of Business Development, MCEDC
Stacey Hardy, VP of Operations, MCEDC
Kristen O’Keefe, VP of Communications and Marketing, MCEDC
Sarah Miller, VP of Strategy, MCEDC
Tina Benjamin, Office of the County Executive

MCEDC’s designation as the County’s Economic Development Corporation (EDC) expires on January 1, 2021 (see ©1-2). County law allows for the County to designate a nonprofit corporation as the County’s EDC; the designation is for five years and requires the approval of the Executive. The proposed resolution to redesignate MCEDC as the County’s EDC is on ©68-69.

I. Proposed Discussion Outline

- A. Review MCEDC’s documents required by County Code. As detailed on Pages 5-6, MCEDC’s Articles of Incorporation and Bylaws comply with the County Code to be the County’s EDC.
- B. Open discussion about MCEDC’s FY21 Strategic Work Plan. This memorandum highlights the three strategies selected by MCEDC. Council staff provides background and a summary of MCEDC’s responses are on Pages 6-9; full MCEDC responses are on ©54-67.
- C. Make recommendation on proposed resolution. Council staff recommends one technical amendment to the proposed resolution on page 9.

II. Background

A. Designation of the County's EDC

Chapter 15A, Article I of the County Code details the purpose, designation process, requirements to qualify, and responsibilities of the County's EDC (see ©3-7). Below are the relevant details for the committee's discussion.

Purpose. The County designates a nonprofit corporation to implement the County's economic development programs and activities to achieve the County's economic development goals.

Designation Process. The Council must designate by resolution a nonprofit corporation that meets the criteria and requirements that are detailed below. The designation must be for five full fiscal years, and the Executive must approve the resolution. If the Executive does not approve the resolution, the Council may readopt it with six affirmative votes. The Council may suspend or revoke this designation by resolution prior to the five-year expiration date after a period of public notice. The Executive must approve the resolution that suspends or revokes this designation, but the Council may readopt it with six affirmative votes if the Executive does not approve it.

Requirements to qualify as the County's EDC. Designation as the County's EDC is not available to any nonprofit corporation. The nonprofit corporation must meet several statutory requirements.

Board of Directors. The County Code details certain requirements for the board of directors – both the articles of incorporation and bylaws must comply with these requirements for the nonprofit corporation to qualify as the County's EDC.

- There are 11 voting board members, with three-year staggered terms.
- There are 3 non-voting board members – one appointed by the Executive, one appointed by the Council, and one appointed by the Maryland Secretary of Commerce.
- Voting members must be County residents or a senior manager of a business with a significant presence in the County.
- Board members may not be paid for their service; they may be reimbursed for travel.
- The bylaws must include the following stipulations for the board of directors, as well as senior management and employees of the corporation:
 - A prohibition against self-dealing and collusive practices.
 - A provision for the disclosure of a financial or similar interest for any person in any matter before the corporation that would create a conflict of interest.
 - A provision establishing conditions when a person is disqualified from participating in a decision because of a conflict of interest.
 - Appropriate remedies for a violation of the bylaws, including removal or termination.
 - A policy to protect whistleblowers.

Articles of Incorporation. The nonprofit corporation's articles of incorporation must:

- Allow for the appointment of the board of directors as stipulated above;
- Be organized under the law of Maryland;

- Be a Maryland nonprofit, non-stock corporation;
- Be headquartered in the County;
- Not be an instrumentality of the County; and
- Be incorporated to serve as the County's EDC to implement the County's economic development strategic plan and related programs, including:
 - Attracting and retaining businesses;
 - Facilitating economic, industrial, and commercial development in the County;
 - Promoting job growth and talent attraction, in coordination with the County's Workforce Development Board;
 - Advising and information County officials on economic development matters;
 - Providing services to resident businesses;
 - Stimulating and nurturing the development of new businesses;
 - Supporting minority, female, and disabled owned businesses; and
 - Promoting the development of a vital and balanced economy.

Bylaws. The nonprofit corporation's bylaws must:

- Include the requirements for self-dealing or collusions for board members, management, and employees as detailed above; and
- Require the nonprofit corporation comply with the Maryland Open Meetings law and the Maryland Public Information Act.

Reports. The Corporation is required to report to the Executive and Council on its activities and finances annually, including an audited financial statement.

B. General Background – the County's Economy

There are numerous metrics to define or measure the County's economy. Table 1 below provides a series of economic data points for the County and other local jurisdictions prior to the COVID-19 pandemic. Giving the lagging nature of many of these datasets, these data likely will become the benchmark to compare recovery and growth following the pandemic.

Table 1: Certain Economic Data Points for 2019

County	Resident Jobs	Covered Jobs	Unemployment Rate	GDP (2018 \$ 000)
Arlington, VA	154,142	182,197	1.5%	31,513,885
Baltimore Co.	440,638	380,770	3.7%	48,916,032
D.C.	387,482	776,041	5.5%	123,981,627
Fairfax, VA	632,136	622,226	1.9%	104,001,303
Howard	183,944	174,642	2.7%	23,953,910
Montgomery	549,310	472,495	2.9%	86,116,398
Prince George's	494,665	322,168	3.8%	41,879,165

Source: Bureau of Economic Analysis (BEA) and Bureau of Labor Statistics (BLS); Resident Jobs is employment by location of residence; Covered Jobs is at-place employment.

The COVID-19 pandemic has changed the global economic landscape. Table 2 provides a comparison of certain benchmarks before and during the COVID-19 pandemic for the same jurisdictions as in Table 1.

Table 2: Impact due to COVID-19 on Select Metrics

County	2019 Resident Jobs	2019 Unemployment Rate	Sept. 2020 Resident Jobs	Sept. 2020 Unemployment Rate	Change in Resident Jobs	% Change in Res. Jobs
Arlington, VA	154,142	1.5%	142,629	4.5%	- 11,513	-7.5%
Baltimore Co.	440,638	3.7%	398,910	6.9%	- 41,728	-9.5%
D.C.	387,482	5.5%	358,580	8.8%	- 28,902	-7.5%
Fairfax, VA	632,136	1.9%	584,310	5.7%	- 47,826	-7.6%
Howard	183,944	2.7%	166,576	5.2%	- 17,368	-9.4%
Montgomery	549,310	2.9%	505,521	6.6%	- 43,789	-8.0%
Prince George's	494,665	3.8%	448,700	9.1%	- 45,965	-9.3%

Source: BLS; Sept. 2020 data is preliminary and subject to revision.

The County's EDC focus is on the private sector. Table 3 details the County's private-sector economy by the economic sectors of the North American Industry Classification System (NAICS).¹ Table 3 compares total private jobs added or lost since the "low watermark" from the 2008 Great Recession.

Table 3: The County's Covered Private Jobs by Economic Sector

Economic Sector (by NAICS)	2008	2019	Change in Jobs (2008-2019)	% Difference (2008-2019)
Admin. Services	31,290	31,700	410	1.3%
Agriculture	496	843	347	70.0%
Arts/Entertainment	7,256	8,171	915	12.6%
Construction	28,540	23,733	- 4,807	- 16.8%
Educational Services	9,121	11,038	1,917	21.0%
Finance	21,949	17,161	- 4,788	- 21.8%
Food Services	30,941	35,551	4,610	14.9%
Health Care	51,323	66,488	15,165	29.5%
Information	14,335	10,080	- 4,255	- 29.7%
Manufacturing	14,456	12,774	- 1,682	-11.6%
Mgt. of businesses	7,872	7,422	- 450	- 5.7%
Mining	375	53	- 322	- 85.9%
Other Services	21,910	21,594	- 316	- 1.4%
Professional Services	63,304	67,371	4,067	6.4%
Real Estate	12,374	11,662	- 712	- 5.8%
Retail Trade	46,659	43,036	- 3,623	- 7.8%
Transportation	3,640	5,113	1,473	40.5%
Utilities	731	611	- 120	- 16.4%
Wholesale Trade	9,989	7,531	- 2,458	- 24.6%
Total	376,561	381,932	5,371	1.4%

Source: BLS, covered private jobs by NAICS sector.

¹ <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2017>.

Table 3 details that the County's private-sector economy increased by about 1.4% since 2008, but more sectors lost jobs than added jobs during the same period. The health care and food service industries led the County's sectors for job growth, while the construction and finance industries led the County's sectors that lost jobs. Table 4 compares the average annual salary for these same economic sectors and same duration as Table 3.

Table 4: The County's Annual Average Salary by Economic Sector

Economic Sector (by NAICS)	2008 (\$)	2019 (\$)	Change in Average Salary (\$) (2008-2019)	% Difference (2008-2019)
Admin. Services	36,392	47,679	11,287	31.0%
Agriculture	24,258	47,342	23,084	95.2%
Arts/Entertainment	23,114	29,712	6,598	28.5%
Construction	57,556	75,188	17,632	30.6%
Educational Services	38,515	50,729	12,214	31.7%
Finance	95,920	140,335	44,415	46.3%
Food Services	20,552	26,455	5,903	28.7%
Health Care	47,681	57,276	9,595	20.1%
Information	82,407	112,839	30,432	36.9%
Manufacturing	98,379	126,510	28,131	28.6%
Mgt. of businesses	102,975	162,847	59,872	58.1%
Mining	52,894	81,918	29,024	54.9%
Other Services	35,178	52,062	16,884	48.0%
Professional Services	84,679	113,607	28,928	34.2%
Real Estate	65,954	86,639	20,685	31.4%
Retail Trade	30,785	37,089	6,304	20.5%
Transportation	46,454	39,787	- 6,667	- 14.4%
Utilities	75,264	113,743	38,479	51.1%
Wholesale Trade	84,030	108,377	24,347	29.0%
Global Average	58,052	79,481	21,429	36.9%

Source: BLS, covered private jobs.

III. Criteria to Qualify as the County's Economic Development Corporation

The qualification criteria are defined in the County Code as detailed in the Background Section. Below is a review of the documents provided by MCEDC as the Council considers its redesignation.

MCEDC's Articles of Incorporation. A copy of MCEDC's Articles of Incorporation are on ©8-13. The articles meet the requirements of the County Code – the corporation is a Maryland nonprofit, nonstock corporation with a purpose of implementing the County's economic development strategy and related programs. The description of the board and its appointment, including corresponding references within the bylaws, are consistent with County Code.

MCEDC's Bylaws. A copy of MCEDC's current bylaws are on ©16-31. The bylaws meet the requirements of the County Code. The following are where the bylaws address the issues noted in the County Code:

- The description of the board and its appointment are on ©17-18.

- A prohibition from self-dealing, including a process to address when there is a potential conflict of interest (see ©25-26).
- A policy to protect whistleblowers (see ©30).
- A description of the open meeting policies and procedures (see ©21-24,29).
- A requirement to comply with the Maryland Public Information Act (see ©29).
- A requirement on submitting certain reports (see ©30).

Open Meetings. MCEDC's bylaws stipulate its policies to comply with the Maryland Open Meetings Law (§ 3-301 et seq., General Provisions of the Maryland Code) on ©21-24 and ©29. These requirements apply to all board meetings, all special meetings, and all committee meetings of MCEDC.

Information about the board's activities is available to the public on MCEDC's website. To access it, one must navigate to the "Board of Directors" page under the "About Us" menu on the landing page's banner to find the agendas and minutes.² The website includes: 1) dates for future board meetings and committee meetings; 2) agendas for meetings that are occurring or have occurred recently; and 3) minutes from previous meetings. Individuals may contact MCEDC if additional details are required beyond what is provided.

MCEDC is currently holding its meetings virtually via Zoom, and individuals who want to participate must register with MCEDC. Registration is automatic but requires that an individual contact the corporation for the registration link. Prior to the COVID-19 restrictions, MCEDC's board and committee meetings were held at its corporate headquarters in Rockville, MD.

Reports. MCEDC has provided the required annual reports since its incorporation. See ©32-53 for MCEDC's submission of its FY20 activities and audited financial statements.

IV. MCEDC's Strategic Work Plan

The Council approves an annual appropriation for MCEDC. Since FY18, the annual appropriation is \$5,007,750. The County executes a contract with MCEDC to implement this funding. The contract is managed by Executive staff. Though the contract stipulates expectations and performance metrics for MCEDC, it is not a work plan for the corporation. MCEDC adopts its own work plan, and the board approved the current FY21 Strategic Work Plan on September 21, 2020 (see ©54-55).

MCEDC's work plan is an important document for the committee to discuss because it illuminates how MCEDC plans to aid the County in its economic development goals. In preparation for today's discussion, Council staff requested additional information based on the approved FY21 Strategic Work Plan (see ©56-67).

MCEDC's FY21 Strategic Work Plan has three strategies:

- 1) Advance Montgomery County industry growth and diversification;
- 2) Foster Montgomery County entrepreneurial activity and new business formation; and

² <https://thinkmoco.com/about/board-of-directors>.

- 3) Respond to the needs of targeted and emerging Montgomery County industries.

The work plan also provides details on performance metrics for each strategy, as detailed in each section below, and the economic indicators and metrics required by the County contract that MCEDC will report.

A. Advance Montgomery County Industry Growth and Diversification

MCEDC is a connector and facilitator for businesses and business development in the County. EDCs, whether private or public, do not oversee and perform all elements of economic development matters in a jurisdiction. For example, the County's Department of Finance evaluates and recommends to the Executive whether County funding is appropriate for a specific project and the County's Department of Permitting Services oversees and implements the permitting process for project. Since MCEDC cannot implement all elements for a project from "A-Z", it must cultivate a robust network of connections within and outside of County Government to ensure businesses are connected efficiently to the necessary resources.

MCEDC identified four performance metrics for this strategy. Council staff summarizes them below; the complete text is available on ©54.

- Create at least 1,200 new jobs within targeted industries.
- Engage with 100 diverse businesses to create revenue generating opportunities.
- Connect businesses and partners with Federal agencies and labs.
- Use MCEDC media tools to engage businesses and produce useful and timely information.

MCEDC does not create jobs directly (beyond its own personnel), so it must cultivate and actively pursue a diverse pipeline of business development projects to meet its goal of creating jobs. Business development projects vary, with some requiring minimal staff time to respond and/or connect the business with another partner and others requiring many hours of multiple staff to close a project. Most business development projects can be categorized as attraction (i.e., bringing new businesses to the County), expansion (i.e., increasing businesses activity of businesses currently in the County), or retention (i.e., keeping business activity in the County).

MCEDC's response about its strategy to increase the County's pipeline and its metrics for success are on ©56-57. Engagement includes referrals from partners and third parties, as well as direct solicitation with businesses. MCEDC estimates that 60% of its full-time equivalent hours are annually devoted to growing the County's pipeline of business development projects.

B. Foster Montgomery County Entrepreneurial Activity and New Business Formation

New business formation and entrepreneurial activity are important elements to growing the County's economy. There are a limited number of established businesses that plan to relocate or significantly expand any given year. Competition amongst jurisdictions for these projects is fierce, and most often the business's decision is outside the control of the EDC or the local jurisdiction. Entrepreneurs, for the most part, start businesses where they live. Developing a fertile environment for

entrepreneurs to start a business, succeed or fail, and start again, is another strategy that can aid the County in meeting its long-term goals of growing the economy and jobs.

Low business formation has been cited as a key metric that the County lags when compared to neighboring jurisdictions.³ MCEDC provided an explanation using the number of establishments in QCEW to detail that some of the County's loss in establishments are due to a single industry sector of "private households."⁴

MCEDC identified three performance metrics for this strategy. Council staff summarizes them below; the complete text is available on ©54-55.

- Work with partners to identify and source funding directed to and received by diverse entrepreneurs;
- Implement targeted outreach to better reach diverse audiences; and
- Establish a "MoCo Innovation Center" to bring resources together to foster new business formation.

MCEDC further details its strategy on ©60-62, including its short-term and long-term action items to achieve its goals. MCEDC states that it recognizes four challenges for local entrepreneurs: 1) exclusive or inaccessible networks; 2) insufficient product development training; 3) unsupportive culture; and 4) inadequate talent pipeline. To address these challenges, MCEDC plans to build on the inclusive principals of the Kauffman Foundation – America's New Business Plan (see ©61).

Council staff also requested and MCEDC provided opportunities for the Council and/or County's consideration to aid in developing entrepreneurial activity and new business formation (see ©62). The PHED Committee may want to pursue additional discussion with MCEDC about these items during the worksession.

C. Respond to the Needs of Targeted and Emerging Montgomery County Industries

EDCs and local jurisdictions must focus on strategic industries due to limited resources and staff time. Strategic industries are identified through several types of analyses (e.g., location quotient, shift-share analysis, etc.). The result is to identify industry sectors that are nascent or strong in the local jurisdiction and that are responsible for additional spinoff benefits (e.g., new or growth in support or service businesses) through its economic activity. Focusing on strategic industries is about priorities and does not mean that MCEDC or the County does not provide resources to businesses outside of the strategic industries.

³ Business formation is a challenging metric to analyze and to track because there is no data source that specifically tracks this type of activity. Some common proxy data points are from the Bureau of Labor Statistics and include the number of establishments through the Quarter Census of Employment and Wages (QCEW) or analysis of the number of establishment "births" and "deaths" at the State-level in Business Employment Dynamics series.

⁴ Industries in the Private Households subsector include private households that engage in employing workers on or about the premises in activities primarily concerned with the operation of the household. These private households may employ individuals, such as cooks, maids, butlers, and outside workers, such as gardeners, caretakers, and other maintenance workers.

MCEDC, based on its research and analyses, states it is focused on growing and providing economic recovery focus on the life sciences, technology, and hospitality/lodging/REITS industries (see ©63-64). MCEDC identified three performance metrics for this strategy. Council staff summarizes them below; the complete text is available on ©55.

- Lead the economic development recovery efforts as defined by the Executive’s Economic Advisory Group;
- Follow up with at least 125 of the companies participating in MCEDC studies and funded programs to determine impact of efforts; and
- Attract and retain talent within Biohealth and IT/cyber industries by connecting 50 companies with education and training institutions.

MCEDC further details its strategy on ©63-64, including its short-term and long-term action items to achieve its goals of this strategy. Much of this work dovetails with the previous discussed strategies on pipeline development and entrepreneurial activity. In addition, MCEDC notes that the County should focus its efforts on developing a strong workforce development pipeline to aid these strategic industries.

D. Proposed Resolution to Redesignate MCEDC as the County’s EDC

The proposed resolution to redesignate MCEDC as the County’s EDC is on ©68-69. This designation will apply for another five years. This resolution does not provide direct guidance or expectations for MCEDC as the County’s EDC, like the previous resolution that designated MCEDC. The County will continue to execute annual contracts that outline specific performance metrics and expectations with the Council’s annual appropriation.

Council staff recommends a minor technical amendment. The County Code states that this designation “expires at the end of the *fifth full fiscal year* after the resolution is adopted” (emphasis added). Council staff believes, however, that the Council should continue to reconsider redesignation in the fall, like this year. This provides an opportunity to review this designation prior to the March recommended operating budget. Below is Council staff’s recommended amendments.

The designation expires on [January 1, 2026] June 30, 2026 or at an earlier date if the designation is suspended or revoked by Council resolution. If the Council does not suspend or revoke this designation, it must consider redesignation on or before January 1, 2026.

<u>This packet contains:</u>	<u>Circle #</u>
Resolution 18-425, MCEDC designated as County’s EDC	1
Chapter 15A, Article I of the County Code	3
MCEDC Articles of Incorporation	8
MCEDC Bylaws	16
MCEDC FY20 Statement of Activities	32
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Resolution No.: 18-425
Introduced: February 23, 2016
Adopted: March 15, 2016

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: County Council

SUBJECT: Designation of Montgomery County Economic Development Corporation as the County's economic development corporation under Chapter 30B

Background

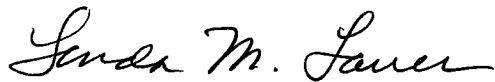
1. The future success of Montgomery County will depend on a vibrant and growing economy. Successful businesses will create this vibrant and growing economy. Business success will depend in part on Montgomery County fostering a supportive environment.
2. On June 30, 2015, the County Council enacted Bill 25-15, *Economic Development – Reorganization – Montgomery County Economic Development Corporation*. Bill 25-15 authorizes the County Government to designate a nonprofit corporation as the County's economic development corporation. The designation is made by Council resolution approved by the County Executive.
3. To be the County's economic development corporation, a nonprofit organization must meet all the requirements and criteria established in Chapter 30B.
4. On January 14, 2016, the Board of the Montgomery County Economic Development Corporation transmitted a request for designation under Chapter 30B.

Action

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

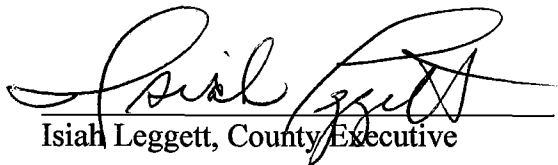
Montgomery County Economic Development Corporation is designated as Montgomery County's economic development corporation. This designation is effective January 1, 2016. To continue to qualify, the corporation's articles of incorporation and bylaws must comply with all requirements of Chapter 30B. The designation expires on January 1, 2021 or at an earlier date if the designation is suspended or revoked by Council resolution.

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council

Approved


Isiah Leggett, County Executive

March 23, 2016
Date

Montgomery County Code

ARTICLE I. ECONOMIC DEVELOPMENT CORPORATION.

Sec. 15A-1. Policy objectives.

(a) The future success of Montgomery County related to education, infrastructure, public safety, public welfare, and quality of life is:

- (1) built on a vibrant and growing economy;
- (2) successful businesses creating this economy; and
- (3) government fostering a legislative and regulatory environment which encourages business success.

(b) To achieve these goals, the County Government may designate a nonprofit corporation as the Montgomery County Economic Development Corporation (Corporation) to implement the County's economic development programs and activities. ([2010 L.M.C., ch. 37](#), § 1; [2015 L.M.C., ch. 36](#), § 1; [2018 L.M.C., ch. 14](#), § 1.)

Sec. 15A-2. Designation.

(a) The County Council must designate, by resolution approved by the County Executive, a single nonprofit corporation which complies with all requirements and criteria of this Article as the Montgomery County Economic Development Corporation. If the Executive disapproves the resolution within 10 days after receiving it, the Council may readopt the resolution with at least 6 affirmative votes.

(b) To continue to qualify as the County's Economic Development Corporation, the Corporation's articles of incorporation and bylaws must comply with all requirements of this Article.

(c) Any designation under this Section expires at the end of the fifth full fiscal year after the resolution is adopted unless the Council extends the designation by adopting another resolution under this Section.

(d) The Council at any time may suspend or revoke the designation of a corporation as the County's Economic Development Corporation by resolution, adopted after at least 15 days public notice that is approved by the Executive, or, if the Executive disapproves the resolution within 10 days after receiving it, is readopted by a vote of at least 6 Councilmembers. ([2010 L.M.C., ch. 37](#), § 1; [2015 L.M.C., ch. 36](#), § 1; [2015 L.M.C., ch. 48](#), § 1; [2018 L.M.C., ch. 14](#), § 1.)

Editor's note—2015 L.M.C., ch. 36, § 5, states: This Act revokes the designation of the Montgomery Business Development Corporation as the County's business development corporation.

2015 L.M.C., ch. 36, § 8, also states, in part: Section 5 of this act takes effect when the Montgomery County Economic Development Corporation is designated under Section 30B-2 [now Section 15A-2].

2010 L.M.C., ch. 37, §3, states: Timetable. The first resolution adopted under Section 30B-2 [now Section 15A-2], inserted by Section 1 of this Act, must take effect on October 1, 2010. Any corporation that seeks to be designated as the County's Business Development Corporation must submit proposed articles of incorporation and by laws to the County Executive and County Council by September 1, 2010.

Sec. 15A-3. Board of Directors.

(a) To qualify as the Montgomery County Economic Development Corporation, the Corporation's Board of Directors must have 11 voting members appointed by the County Executive and confirmed by the County Council. The County Executive should appoint a member of the Workforce Development Board as one of the members of the Corporation's Board of Directors. The Corporation's Board of Directors must also include one officio non-voting member appointed by the County Executive; and one non-voting member appointed by the County Council; and should have one non-voting member appointed by the Maryland Secretary of Commerce.

(b) Each voting member serves a 3-year term. The individual terms of the voting members must be staggered. Of the voting members first appointed, four must be appointed for a 1-year term, four must be appointed for a 2-year term, and three must be appointed for a 3-year term. The Executive may extend the term of a voting member first appointed for an additional 6 months or less to coincide with the end of a fiscal year. A voting member appointed to fill a vacancy serves the rest of the unexpired term. A voting member continues in office until his or her successor is appointed and confirmed.

(c) Each voting member must be either a resident of the County or a senior manager in a for-profit or nonprofit entity that has a significant presence in the County.

(d) A member must not be paid for service on the Board but may be reimbursed for necessary travel expenses.

(e) A member is not subject to Chapter 19A because of serving on the Board. The Corporation's bylaws must protect against any conflict of interest or similar impropriety by members of the Board of Directors or the Executive Director or any other employees. The bylaws must include:

(1) a prohibition against self-dealing and collusive practices;

(2) a provision for the disclosure of a financial or similar interest of any person in any matter before the corporation that would create a conflict of interest;

(3) a provision establishing conditions under which a person is disqualified from participating in decisions or other actions in which there is a conflict between the person's official duties and private interests;

(4) appropriate remedies for a violation of the bylaws, including removal or termination; and

(5) a policy to protect whistleblowers.

(f) Notwithstanding any inconsistent provision of County Code Section 19A-21, a member of the Board of Directors or a staff member of the Corporation who engages in legislative, administrative, or executive advocacy as part of that person's duties is not required to register as a lobbyist under Article V of Chapter 19A because of that advocacy.

(g) The Board must direct the program, management, and finances of the Corporation. ([2010 L.M.C., ch. 37](#), § 1; 2015 L.M.C., ch. 36, § 1; [2016 L.M.C., ch. 41](#), § 1; [2018 L.M.C., ch. 14](#), § 1.)

Sec. 15A-4. Status; incorporation; bylaws.

(a) To qualify as the County's Economic Development Corporation, the Corporation's articles of incorporation must provide for the appointment of the members of its board of directors as set forth in this Article. The articles of incorporation must also provide that the Corporation is:

(1) a Maryland nonprofit, non-stock corporation the purposes and activities of which are limited to those that are permitted to be promoted or performed by a corporation that is recognized as exempt from federal income tax under 26 U.S.C. § 501;

(4)

(2) not an instrumentality of the County;

(3) incorporated for the purpose of serving as the County's Economic Development Corporation and implementing the County's economic development strategic plan, adopted under Section 20-76, and related programs. These programs must include:

(A) attracting and retaining businesses;

(B) facilitating economic, industrial, and commercial development in the County;

(C) encouraging investment in commerce, industries, and businesses in the County;

(D) promoting job growth and talent attraction, in coordination with the Montgomery County Workforce Development Board;

(E) advising and informing County officials on economic development matters;

(F) providing services to resident businesses in the County, including business retention, counseling, business planning, and other services to maintain and grow the existing economic base;

(G) stimulating and nurturing the development of new business;

(H) supporting minority, female, and disabled owned businesses, including assisting minority, female, and disabled owned businesses to gain access to capital; and

(I) promoting the development of a vital and balanced economy.

(4) organized and operated under the laws of the State of Maryland; and

(5) headquartered in the County.

(b) The Corporation's bylaws may contain any provision necessary to govern and manage the Corporation that does not conflict with this Article. The Corporation may exercise all powers and is subject to all requirements which apply to non-stock corporations under the Corporations and Associations Article of the Maryland Code.

(c) The bylaws must require the Corporation to comply with the Maryland Open Meetings law and the Maryland Public Information Act. ([2010 L.M.C., ch. 37](#), § 1; [2015 L.M.C., ch. 36](#), § 1; [2015 L.M.C., ch. 48](#), § 1; [2018 L.M.C., ch. 14](#), § 1.)

Sec. 15A-5. Economic development program.

(a) The Board of Directors must recommend economic development programs and associated performance measures to the Executive and Council each year to advance the policy objectives and perform the activities listed in Section 15A-1 , including revisions to the County's strategic plan for economic development established by Section 20-76(a).

(b) In its economic development programs, the Corporation should collaborate with the Montgomery County Workforce Development Board to advance the County's economic development strategic plan adopted under Section 20-76.

(c) The Corporation's economic development programs may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.

(d) The Corporation may administer, as part of a microenterprise development strategy, a culturally proficient microlending program under which:

(1) loans must not exceed \$15,000;

(2) loans must only be issued to Montgomery County residents:

(A) who have resided in Montgomery County for at least 180 days before the loan application is made;

(B) whose business is headquartered in Montgomery County; and

(C) lack access to traditional means of capital financing;

(3) loan recipients must participate in educational and technical assistance provided by the program;

(4) non-County funds may be used as a source for capital and program administration; and

(5) materials and assistance are provided in multiple languages reflective of the County's population.

(e) The Board and staff must meet with the Executive and the Council at least annually regarding the Corporation's activities and finances. ([2010 L.M.C., ch. 37](#), § 1; [2015 L.M.C., ch. 36](#), § 1; 2017 L.M.C., ch. 10, §1; [2018 L.M.C., ch. 14](#), § 1; [2019 L.M.C., ch. 23](#), §1.)

Sec. 15A-6. Staff; support from County Government.

(a) The Office of Management and Budget, the Department of Finance, and other departments of County government and County-funded agencies, if the Board of Directors requests, should provide relevant economic data to the Corporation. The research division of the Planning Board must provide research support to the Corporation to the extent assigned by the Planning Board's work program, as approved by the Council.

(b) The Corporation may also raise public and private funds and may accept services from any source consistent with its purposes.

(c) The Corporation must:

(1) make public data sets available on the web to:

(A) improve public knowledge of the Corporation and its operations;

(B) further its mission; or

(C) increase its accountability and responsiveness; and

(2) provide the Executive and Council, upon request, all non-confidential data produced and received by the Corporation, including research, economic data, and minutes of Board meetings. ([2010 L.M.C., ch. 37](#), § 1; [2015 L.M.C., ch. 36](#), § 1; [2018 L.M.C., ch. 14](#), § 1.)

Sec. 15A-7. Report

The Board of Directors must report annually on the activities and finances of the Corporation and provide an audited financial statement of the Corporation to the Executive and Council by November 1 of each year. The report must also include:

(a) the Corporation's plan to solicit and receive additional public and private funding for its operations; and

(b) information on the microlending program including:

(1) the number of microloans issued during the prior fiscal year by dollar value of the loan;

(2) a description of how each loan was used; (6)

- (3) loan repayments received;
- (4) the rate of repayment; and
- (5) non-County funds leveraged to support the program. ([2010 L.M.C., ch. 37](#), § 1; [2015 L.M.C., ch. 36](#), § 1; 2017 L.M.C., ch. 10, §1; [2018 L.M.C., ch. 3](#), §1; [2018 L.M.C., ch. 14](#), § 1.)

Copy

**ARTICLES OF INCORPORATION
OF
MONTGOMERY COUNTY ECONOMIC DEVELOPMENT CORPORATION
(A MARYLAND NON-STOCK CORPORATION)**

THIS IS TO CERTIFY:

That the undersigned incorporator, Paul E. Alpuche, c/o Lerch, Early & Brewer, Chtd., 3 Bethesda Metro Center Suite 460, Bethesda, Maryland, 20814, an adult over eighteen (18) years of age, hereby does declare the intention of forming a corporation under and by virtue of the general laws of the State of Maryland authorizing the formation of corporations.

ARTICLE I. NAME

The name of the Corporation is "Montgomery County Economic Development Corporation."

ARTICLE II. PURPOSES AND POWERS

The Corporation shall be organized and operated exclusively as a corporation, incorporated for the sole purpose of serving as Montgomery County, Maryland's (the "County") Economic Development Corporation and implementing the County's economic development strategic plan, adopted under Section 20-76, and related programs in a manner consistent with Chapter 36 of the 2015 Laws of Montgomery County, enacted by the County on June 30, 2015, as Bill No. 25-15, and effective October 6, 2015 (the "Act"). These programs include attracting and retaining businesses; facilitating economic, industrial, and commercial development in the County; encouraging investment in commerce, industries, and businesses in the County; promoting job growth and talent attraction, in coordination with the Montgomery County Workforce Development Board; advising and informing County officials on economic development matters; providing services to resident businesses in the County, including business retention, counseling, business planning, and other services to maintain and grow the existing economic base; stimulating and nurturing the development of new business; supporting minority, female, and disabled owned businesses, including assisting minority, female, and disabled owned businesses to gain access to capital; and promoting the development of a vital and balanced economy. The Corporation shall have no other purposes. The Corporation is not an instrumentality of the County. The Corporation shall be headquartered in the County. In furtherance of the aforesaid purposes, the Corporation shall have all the general powers enumerated in Section 2-103 of the Corporations and Associations Article of the Annotated Code of Maryland as now in effect or as may hereafter be amended, and, consistent with such

purpose, may engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland, except as the same may be limited by Section 501(c)(3) of the Internal Revenue Code (the "Code") or the Act.

ARTICLE III. REGISTERED AGENT AND OFFICE

The Post Office address at which the principal office of the Corporation in the State of Maryland shall be located is c/o Lerch, Early & Brewer, Chtd., 3 Bethesda Metro Center Suite 460, Bethesda, Maryland, 20814, attention: Preston K. Ridinger, Esq. The name of the resident agent of the Corporation is The Corporation Services Company, a citizen and resident of Maryland, the address for which is 7 St. Paul Street, Suite 820, Baltimore MD 21202.

ARTICLE IV. MANAGEMENT / DIRECTORS

The powers of the Corporation shall be exercised, and its affairs conducted, by a Board of Directors who shall be appointed in the manner provided for from time to time in the Bylaws of the Corporation and as prescribed by the Act. The Board of Directors must have 11 voting members appointed by the Montgomery County Executive (the "County Executive") and confirmed by the Montgomery County Council (the "County Council"). The County Executive should appoint a member of the Montgomery County Workforce Development Board as one of the members of the Corporation's Board of Directors. The Corporation's Board of Directors must also include one non-voting member appointed by the County Executive, and one non-voting member appointed by the County Council; and should have one non-voting member appointed by the Maryland Secretary of Commerce. Of the voting members first appointed, four must be appointed for a 1-year term, four must be appointed for a 2-year term, and three must be appointed for a 3-year term. Thereafter, each voting member shall serve a 3-year term or until the voting member's service reaches the term limit as set forth in the Bylaws. The individual terms of the voting members must be staggered. A voting member appointed to fill a vacancy serves the rest of the unexpired term. A voting member continues in office until his or her successor is appointed and confirmed.

Prior to the appointment and confirmation of the voting board members, the Board of Directors shall consist of 3 initial voting members who shall serve until a Board of Directors is appointed by the County Executive and confirmed by the County Council. The initial voting board members shall be as follows:

Robert George Brewer Jr.
Robert Evans Buchanan
Solomon Graham, Jr.

ARTICLE V. NON-STOCK CORPORATION

The Corporation has no authority to issue capital stock.

ARTICLE VI. EXPENDITURES AND NON-PROFIT STATUS

Section 1. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to any director or officer of the Corporation, or any other private person, except that the Corporation shall be authorized and empowered to pay for services rendered to the Corporation and necessary for the performance of the Corporation's duties and in furtherance of the purposes set forth in Article II hereof and consistent with the Act, subject to the terms, conditions, and requirements set forth in the Bylaws.

Section 2. Notwithstanding any other provision of these Articles of Incorporation (as such Articles may be amended from time to time, the "Articles"), the Corporation shall not directly or indirectly carry on any activity which would prevent it from obtaining exemption from Federal income taxation as a corporation described in Section 501(c)(3) of the Code, or cause it to lose such exempt status or, during the period of its designation as the County's Economic Development Corporation, be violative of the Act.

ARTICLE VII. DISBURSEMENT OF FUNDS UPON DISSOLUTION

In the event of dissolution or final liquidation of the Corporation, all of the remaining assets and property of the Corporation shall, after paying or making provision for the payment of all of the liabilities and obligations of the Corporation and for necessary expenses thereof, be distributed to such organization or organizations organized and operated in a manner that will cause each such organization to qualify as an exempt organization under Section 501(c)(3) of the Code whose doctrine and organizational purposes are in harmony with that of this Corporation as set forth in these Articles as the Board of Directors shall determine; and should such dissolution occur while the Corporation is still designated as the County's Economic Development Corporation, the selection of the organization(s) to receive the Corporation's assets and property upon the Corporation's dissolution shall be subject to approval by the County Executive and the County Council. Further, if such dissolution shall occur during the Corporation's designation as the County's Economic Development Corporation there shall be, at the election of the County, an audit of the Corporation's books and records and notwithstanding any other provision of this Article, any unexpended funds received by the Corporation from the County or the State of Maryland shall be returned to the County or the State of Maryland, as

applicable. In no event shall any of such assets or property be distributed to any director or officer, or any private individual.

ARTICLE VIII. LIABILITY LIMITATIONS

To the maximum extent that Maryland law in effect from time to time permits the liability of directors and officers to be limited or eliminated, no director or officer of the Corporation shall be liable to the Corporation for money damages, provided that such relief from liability shall not apply in any instance where such relief is inconsistent with the provision of the Code applicable to corporations described in Section 501(c)(3) of the Code, or violative of the Act, these Articles or the Bylaws. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any provision of the Corporation's Articles or Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE IX. INDEMNIFICATION

Section 1. To the maximum extent permitted by the laws of the State of Maryland in effect from time to time, and subject to compliance with any procedures and other requirements prescribed by said laws, any person who is or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person (i) is or was a director or officer of the Corporation or of a predecessor of the Corporation, or (ii) is or was a director or officer of the Corporation or of a predecessor of the Corporation and is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, shall be indemnified by the Corporation against judgments, penalties, fines, settlements and reasonable expenses, including attorneys' fees, actually and necessarily incurred by him or her in connection with such action, suit or proceeding, or in connection with any appeal therein (which reasonable expenses may be paid or reimbursed in advance of final disposition of any such suit, action or proceeding). Such indemnification shall not apply in any instance where the same is inconsistent with the provision of the Code applicable to corporations described in Section 501(c)(3) of the Code, or violative of the Act, these Articles, or the Bylaws.

Section 2. To the maximum extent permitted by the laws of the State of Maryland in effect from time to time, and subject to compliance with any procedures and other requirements prescribed by said laws, any person who is or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person (i) is or was an employee or agent of the

Corporation or of a predecessor of the Corporation, or (ii) is or was an employee or agent of the Corporation or of a predecessor of the Corporation and is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, limited liability company, partnership, joint venture, trust, other enterprise, or other employee benefit plan may (but need not) be indemnified by the Corporation against judgments, penalties, fines, settlements and reasonable expenses (including, but not limited to, attorneys' fees and court costs) actually incurred by such person in connection with such action, suit or proceeding, or in connection with any appeal thereof (which reasonable expenses may be paid or reimbursed in advance of final disposition of any such suit, action or proceeding). Such indemnification shall not apply in any instance where the same is inconsistent with the provision of the Code applicable to corporations described in Section 501(c)(3) of the Code, or violative of the Act, these Articles, or the Bylaws.

Section 3. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Bylaws or Articles of the Corporation inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

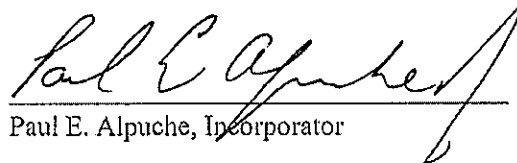
Section 4. The foregoing right of indemnification and advancement of expenses shall not be deemed exclusive of any other rights of which any officer or director of the Corporation may be entitled apart from the provisions of this Article.

ARTICLE X. CORPORATE DURATION

The duration of the Corporation shall be perpetual.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has signed these Articles of Incorporation and acknowledges that these Articles of Incorporation are his act and that to the best of his knowledge, information and belief, and under the penalties of perjury, the matters and facts set forth herein are true in all material respects.

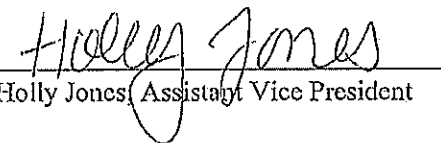

Paul E. Alpuche, Incorporator

Dated: October 2nd, 2015

RESIDENT AGENT CONSENT

The Corporation Service Company hereby accepts appointment as Resident Agent for the Montgomery County Economic Development Corporation in the State of Maryland.

CORPORATION SERVICE COMPANY

By: 
Holly Jones, Assistant Vice President

State of Maryland
Department of
Assessments and Taxation



Larry Hogan
Governor

Sean P. Powell
Director

Charter Division

Date: 10/09/2015

HYLIND SEARCH COMPANY, INC.
245 W CHASE ST
BALTIMORE MD 21201-4823

THIS LETTER IS TO CONFIRM ACCEPTANCE OF THE FOLLOWING FILING:
ENTITY NAME : MONTGOMERY COUNTY ECONOMIC DEVELOPMENT CORPORATION
DEPARTMENT ID : D16812414
TYPE OF REQUEST : ARTICLES OF INCORPORATION
DATE FILED : 10-05-2015
TIME FILED : 10:14 AM
RECORDING FEE : \$100.00
ORG. & CAP FEE : \$20.00
EXPEDITED FEE : \$50.00
NON-PROFIT FEE : \$50.00
FILING NUMBER : 1000362008571673
CUSTOMER ID : 0003320185
WORK ORDER NUMBER : 0004536765

PLEASE VERIFY THE INFORMATION CONTAINED IN THIS LETTER. NOTIFY THIS DEPARTMENT IN WRITING IF ANY INFORMATION IS INCORRECT. INCLUDE THE CUSTOMER ID AND THE WORK ORDER NUMBER ON ANY INQUIRIES. EVERY YEAR THIS ENTITY MUST FILE A PERSONAL PROPERTY RETURN IN ORDER TO MAINTAIN ITS EXISTENCE EVEN IF IT DOES NOT OWN PERSONAL PROPERTY. THE RETURN IS FOUND ON THE SDAT WEBSITE.

Charter Division
Baltimore Metro Area (410) 767-1350
Outside Metro Area (888) 246-5941

ENTITY TYPE: ORDINARY BUSINESS - NON-STOCK
STOCK: N
CLOSE: N
EFFECTIVE DATE: 10-05-2015
LERCH, EARLY & BREWER, CHTD.
PRINCIPAL OFFICE: SUITE 460
3 BETHESDA METRO CENTER
BETHESDA MD 20814
RESIDENT AGENT: CSC-LAWYERS INCORPORATING SERVICE
COMPANY
7 ST. PAUL STREET
SUITE 820
BALTIMORE MD 21202

BYLAWS OF
MONTGOMERY COUNTY ECONOMIC DEVELOPMENT CORPORATION

Introductory Statement¹

The following pages set forth the Bylaws of the Montgomery County Economic Development Corporation, as adopted by the Board of Directors and amended from time to time. The Bylaws should be read in their entirety, specifically including Paragraph 22, which sets forth specific provisions that are applicable to the Montgomery County Economic Development Corporation by virtue of the fact that it has been designated as the County's Economic Development Corporation under the provisions of Chapter 36 of the 2015 Laws of Montgomery County.

¹ The Introductory Statement is for explanatory purposes and is not a part of the Bylaws. In addition, any footnotes which have been added are for purposes of explanation and clarification and are not a part of the Bylaws.

BYLAWS

MONTGOMERY COUNTY ECONOMIC DEVELOPMENT CORPORATION

1. **NAME AND PURPOSES:** The name of this Corporation is “Montgomery County Economic Development Corporation” (the “Corporation”) and is organized for the sole purpose of serving as Montgomery County, Maryland’s (the “County”) Economic Development Corporation and implementing the County’s economic development strategic plan, adopted under Section 20-76, and related programs in a manner consistent with Chapter 36 of the 2015 Laws of Montgomery County, enacted by the County on June 30, 2015, as Bill No. 25-15, and effective October 6, 2015 (the “Act”).
2. **PRINCIPAL OFFICE OF THE CORPORATION:** The principal office of the Corporation shall be designated by the Board of Directors, and must be located in the County.
3. **MEMBERSHIP:** The Directors of the Corporation shall constitute the members of the Corporation.
4. **BOARD OF DIRECTORS**
 - a. **Classes:** There shall be only one class of Directors.
 - b. **Number/Composition:** The business and affairs shall be governed by a Board of Directors, which shall be composed of 11 voting members appointed by the Montgomery County Executive (the “County Executive”) and confirmed by the Montgomery County Council (the “County Council”). The County Executive should appoint a member of the Montgomery County Workforce Development Board as one of the voting members of the Corporation’s Board of Directors. Each voting Director must either be a resident of the County or a senior manager in a for-profit or nonprofit entity that has a significant presence in the County. The Corporation’s Board of Directors must also include one non-voting member appointed by the County Executive, and one non-voting member appointed by the County Council, and should have one non-voting member appointed by the Maryland Secretary of Commerce.
 - c. **Term:** The individual terms of the voting Directors must be staggered. Of the voting Directors first appointed, four must be appointed for a 1-year term, four must be appointed for a 2-year term, and three must be appointed for a 3-year term. Thereafter, each voting Director shall serve for a term of three (3) years or until the voting Director reaches the Term Limit described in Paragraph 4(e). A

voting Director continues in office until his or her successor is appointed and confirmed.

- d. **Appointment/ Vacancies:** At the time of each annual meeting of the Corporation, the County Executive shall appoint and the County Council shall confirm voting Directors to succeed voting Directors whose term is expiring. Vacancies occurring between annual meetings may be filled by appointment by the County Executive and confirmation by the County Council. A voting Director appointed to fill a vacancy serves the rest of the unexpired term.
- e. **Term Limits:** Directors, including Directors initially appointed to a term less than three years, shall be eligible to serve a total of six (6) consecutive years. After serving the maximum time allowed, the voting Director of the Board of Directors may again serve after being off the Board of Directors for one (1) year.
- f. **Removal:** A Director may be removed for cause by the majority vote of the Directors present at any meeting at which there is a quorum. For purposes of this Paragraph, the term “cause” shall include, but not be limited to, a violation of any provision of these Bylaws or a failure to participate in the activities of the Board of Directors, as evidenced by the failure to attend at least three (3) consecutive meetings of the Board of Directors. If a Director has been convicted of a felony or crime of moral turpitude by a court of competent jurisdiction, the Director shall be removed immediately.
- g. **Resignation:** A Director may resign only by submitting a written resignation to the Chair or to the other Directors if the resigning Director is the Chair.
- h. **Non-Voting Members of Board:** The Corporation shall invite each non-voting Board member to attend all meetings of the Board of Directors in person and in a non-voting capacity; and, in this respect, shall give each such non-voting Board member copies of all notices, minutes, consents, and other materials that it provides to the voting Directors at the same time and in the same manner as provided to such voting Directors. Notwithstanding the foregoing, no designee of any non-voting Director shall be entitled to attend any meeting of the Board of Directors or otherwise have any of the rights or privileges set forth in this Paragraph.
- i. **Economic Development Program:** The Board of Directors must recommend economic development programs and associated performance measures to the County Executive and County Council each year to advance the policy objectives and perform the activities listed in Section 30B-1 of the Act, including revisions to the County’s strategic plan for economic development established by Section 20-76(a). In its economic development programs, the Corporation should

collaborate with the Montgomery County Workforce Development Board to advance the County's economic development strategic plan adopted under Section 20-76. The Corporation's economic development programs may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.

- j. **Duties:** The Board of Directors shall direct the program, management, and finances of the Corporation. In addition, the Board of Directors shall meet with the County Executive and the County Council at least annually regarding the Corporation's activities and finances. The duties of each Director on the Board shall include, but not be limited to, (i) attending regular and special meetings of the Board of Directors, (ii) performing any activities appropriate or necessary to effectuate the purposes and objectives of the Corporation, and (iii) attending the Board of Directors' meetings with the County Executive and County Council described above in Paragraph 4(j).
- k. **Annual Reporting and Audit:** The Board of Directors must report annually on the activities and finances of the Corporation and must provide an audited financial statement of the Corporation to the County Executive and County Council by November 1 of each year. The report must also include the Corporation's plan to solicit and receive additional public and private funding for its operations.

5. OFFICERS OF THE BOARD OF DIRECTORS

- a. **Election/Vacancies:** The Officers shall consist of a Chair, Vice-Chair, Secretary and Treasurer and such additional officers, or assistant secretaries or assistant treasurers as the Board of Directors may from time to time elect. The Officers shall be elected at each annual meeting by the Board of Directors, from among the Directors. Any vacancy occurring in any office, for whatever reason, shall be filled by the Board of Directors, and any Director so elected shall fulfill the term of his/her predecessor.
- b. **Term:** Officers shall serve a term of one (1) year and until their successors are elected, or until they are removed pursuant to Paragraph 5(c). No elected officer of the Corporation shall serve more than three (3) consecutive terms in the same office.
- c. **Removal:** An officer may be removed for cause (which includes the violation of any provision of these Bylaws), as determined by a majority vote of the Directors present at any meeting at which there is a quorum. If an officer has been convicted of a felony or crime of moral turpitude by a court of competent jurisdiction, the Officer shall be removed immediately.

- d. **Resignation:** An officer may resign only by submitting a written resignation to the Chair or Secretary or to the other Directors, if the resigning officer is the Chair.
- e. **Authority and Duties:** The Officers shall have the authority and responsibility delegated by the Board of Directors as stated as follows:
 - i. The Chair shall preside at and conduct all meetings of the Board of Directors and of the Executive Committee. The Chair may sign all contracts and agreements in the name of the Corporation after they have been approved by the Board of Directors, serve as the representative of the Corporation in meetings and discussions with other organizations and agencies, and otherwise perform all of the duties which are ordinarily the function of the office, or which are assigned by the Directors.
 - ii. The Vice-Chair shall perform the duties of the Chair if the Chair is unable to do so or is absent; perform such other tasks as may be assigned by the Board of Directors; and, at the request of the Chair, assist in the performance of the duties of the Chair.
 - iii. The Secretary shall see that accurate records and minutes are kept of all meetings of the Corporation; make available copies of the minutes of the previous meeting and distribute them in advance of each meeting; cause to be delivered all notices of meetings to those persons entitled to vote at such meeting; and maintain the Minutes Book of the Corporation and a current listing, with phone numbers and addresses, of the Directors at the office of the Corporation. The Secretary may appoint, with approval of the Board of Directors, a designee to assist in performance of all or part of the duties of the Secretary.
 - iv. The Treasurer shall have an accounting background or related financial management experience. The Treasurer shall oversee the deposit of funds of the Corporation into the proper accounts of the Corporation; the reconciliation of all receipts and disbursements from such account or accounts; the preparation of the books and records of the finances of the Corporation; the preparation of financial reports of the accounts for each meeting of the Board of Directors; and the preparation and filing of all end-of-the-year financial reports and federal and state tax reports. To the extent of available funds, such Treasurer shall be covered under an indemnity bond in an amount set by the Directors. The Treasurer may appoint, with the approval of the Board of Directors, a qualified fiscal agent or member of

the staff to assist in the performance of all or part of the duties of the Treasurer.

- v. Other Officers elected by the Board of Directors shall perform such duties as may be specified by the Board of Directors or by the Officers given authority over them.

6. MEETINGS OF THE BOARD OF DIRECTORS

- a. **Annual Meeting:** The Annual Meeting of the Corporation shall be held at the June meeting of the Board of Directors, or at such other date and time as is determined by the Board of Directors.
- b. **Regular Meetings:** Regular meetings of the Board of Directors shall be held at least four (4) times a year, in June, September, December, and March, and may be scheduled more often by the Chair.
- c. **Special Meetings:** Special meetings of the Board of Directors shall be held at any time and at any place when called by the Chair or by at least three (3) Directors. Business transacted at special meetings shall be confined to the purposes of the meeting stated in the notice of the meeting.
- d. **Notice of Meetings/Agendas:** Notice of regular meetings of the Board of Directors, including the Annual Meeting, shall be in writing and delivered at least ten (10) days and not more than thirty (30) days before the day of the meeting. Notices of special meetings shall state that a special meeting is being called and may be given orally or in writing at least forty-eight (48) hours prior to the meeting time. Written notices of meetings may be delivered electronically. Public notices of regular and special meetings shall be provided in compliance with §3-302 of the General Provisions Article of the Maryland Code or any successor provision and with Paragraph 6(g). An agenda for each regular and special meeting is required. The agenda, if determined, shall be made available when public notice of the meeting is provided, or as soon as practicable after the agenda has been determined, and in any event at least 24 hours prior to the meeting, except in cases of emergency. Failure of notice to any Director shall not invalidate the meeting or any action taken at the meeting.
- e. **Quorum:** At meetings of the Board of Directors, a quorum shall consist of a majority of the voting Directors then serving.
- f. **Voting:** Except as otherwise provided in these Bylaws, a majority of all the votes cast at a meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting. Each Director shall have one

vote. No non-voting member of the Board shall be entitled to vote under any circumstances. A Director may vote either in person or by written proxy signed by the Director or by his duly authorized attorney in fact.

- g. **Telephonic Attendance:** A voting Director may participate in and vote at any meeting of the Board of Directors in person or by electronic or telephonic conferencing, provided that all Directors can contemporaneously communicate with each other. Notice of any meeting in which all of the Directors will be participating telephonically (or by other electronic means) shall be provided as required and in the same manner for any in-person meeting except that, in lieu of giving the physical location of such meeting, such notice shall instead include a dial-in number or other electronic mechanism by which the public can listen to such meeting.

- 7. **COMMITTEES:** The Board of Directors may create such committees with such powers as it deems wise to have. The Chair shall appoint persons to chair and serve on those committees, and may appoint persons who are not Directors of the Corporation to serve on committees. All committee appointments shall be approved by the Board of Directors either prior to the appointment or be ratified at the next meeting of the Board of Directors. Except as otherwise specified, appointments to committees of the Board of Directors are for a term of one (1) year and may be renewed from year-to-year without limitation.

The Executive Committee and the Governance Committee shall be the standing committees. The standing committees shall be subject to the requirements of § 3-101 *et seq.*, General Provisions Article of the Maryland Code.

- a. **Executive Committee:** The Executive Committee shall consist of the Chair, Vice-Chair, Secretary, and Treasurer. The Executive Committee shall develop recommendations with respect to various matters pertaining to the affairs of the Corporation and shall report such recommendations to the Board of Directors for action. In instances where special circumstances require expeditious action between meetings of the Board of Directors, the Executive Committee shall have the power to act in the same capacity and to the same extent as the Board of Directors to take the necessary actions, subject to any prior limitation imposed by the Board of Directors.
- b. **Governance Committee:** The Governance Committee shall be appointed by the Chair and approved by the Board of Directors. The Governance Committee shall be responsible for:
 - i. Formulating and recommending to the Board of Directors structural, organizational and process changes and improvements that promote the effective and efficient operations of the Corporation, appropriate control

mechanisms and policies relative to the ethical operation and behavior of the Corporation and its Directors, Officers and employees.

- ii. Nominating persons to serve as Officers. The Governance Committee also shall nominate persons to serve as the elected Officers of the Corporation. The Governance Committee shall be responsible for orientation and education of Directors.
- c. **Finance and Audit Committee:** The Finance and Audit Committee shall consist of at least four members who shall be independent voting directors. The Committee may also include non-Board members. Finance and Audit Committee members shall have the ability to read and understand fundamental nonprofit financial statements, including a statement of financial position, statement of activities and statement of changes in net assets, statement of cash flows and key performance indicators; and (c) the ability to understand key operational and financial risks and related controls and control processes. The Audit Committee Chair will be appointed by the Board Chair. The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibility with respect to the financial reporting process, the system of internal controls, the audit process and with monitoring compliance with laws and regulations. A charter for the Audit Committee, setting out its roles, responsibilities and process, shall be adopted by a resolution of the Board.
- d. **Additional Standing Committees:** The Board of Directors may establish such additional standing committees as it determines are appropriate for the conduct of the business of the corporation. Each committee shall include at least two (2) Directors and may include persons who are not Directors. Members of a standing committee shall be appointed by the Chair and approved by the Board of Directors.

Special Committees: The Chair of the Corporation or the Board of Directors may establish such special or ad hoc committees as they shall determine are necessary for the functioning of the Corporation. Each such committee shall be given a specific charge and term.

- e. **Notice of Meetings:**
 - i. Notice of standing committee meetings of the Board of Directors, shall be in writing and delivered at least five (5) days and no more than thirty (30) days before the day of the meeting. Public notices of standing committee meetings shall be provided in compliance with Section §3-302 of the General Provisions Article of the Maryland Code or any successor provision

and with Paragraph 7(h). An agenda for each standing meeting is required. The agenda, if determined, shall be made available when public notice of the meeting is provided, or as soon as practicable after the agenda has been determined, and in any event at least 24 hours prior to the meeting, except in cases of emergency. Failure of notice to any committee member shall not invalidate the meeting or any action taken at the meeting.

- ii. Notices of special committee meetings of the Board of Directors may be given orally or in writing at least forty-eight (48) hours prior to the meeting time and shall state that a special meeting is being called.
- iii. Written notices of meetings may be delivered electronically.
- f. **Quorum:** At committee meetings, a quorum shall consist of a majority of the voting Directors then serving.
- g. **Voting:** Except as otherwise provided in these Bylaws, a majority of all the votes cast at a committee meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting. Each Director shall have one vote. No non-voting member of the Board shall be entitled to vote under any circumstances. A Director may vote either in person or by written proxy signed by the Director or by his duly authorized attorney in fact.
- h. **Telephonic Attendance:** A voting Director may participate in and vote at any committee meeting in person or by electronic or telephonic conferencing, provided that all Directors can contemporaneously communicate with each other. Notice of any committee meeting in which all of the Directors will be participating telephonically (or by other electronic means) shall be provided as required and in the same manner for any in-person meeting except that, in lieu of giving the physical location of such meeting, such notice shall instead include a dial-in number or other electronic mechanism by which the public can listen to such meeting.

8. APPOINTED OFFICERS AND STAFF

- a. **Chief Executive Officer:** The Board of Directors shall appoint and may terminate the employment of a Chief Executive Officer, with a title appropriate to the functions of the office. The Board of Directors shall determine the salary, benefits or other compensation to be provided to the Chief Executive Officer.
- b. **Delegation of Authority:** The Board of Directors may delegate duties and customary authority to the Chief Executive Officer and staff of the Corporation.

The duties and authority delegated shall be memorialized in written job descriptions.

- c. **Hiring of Staff:** Staff may be hired and terminated by the Chief Executive Officer, unless the Board of Directors reserves such authority for itself.
- d. **Board Participation:** The Chief Executive Officer shall attend and participate in meetings of the Board of Directors and of committees as staff to the Board of Directors and the committees, but shall not be entitled to a vote. The Chief Executive Officer may designate other staff members to provide staff support to committees of the Board of Directors.

9. CONFLICT OF INTEREST

- a. Except as provided in Paragraph 9(b) below, the Board of Directors shall not approve a self-dealing transaction. A self-dealing transaction is a contract or transaction to which the Corporation is a party and (i) in which one or more of the Directors, or Officers has a material financial interest, (ii) to which one or more of the Directors or Officers is a party, or (iii) to which any other corporation, firm, association or other entity in which one or more of the Directors or Officers are directors or officers or have a material financial interest, is a party.
- b. Any Director, Officer, employee or committee member having an interest or economic interest (as defined in Section 19A-11 of the County Code or any successor provision) in a contract or other transaction or determination presented to the Board of Directors or a committee of the Corporation for recommendation, authorization, approval or ratification shall give prompt, full and frank disclosure of his or her interest to the Board of Directors or committee prior to its acting on such contract or transaction or determination. The body to which such disclosure is made shall thereupon determine, by majority vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use his or her personal influence on, nor participate (other than to present factual information or to respond to questions) in the discussions or deliberations with respect to such contract, transaction or determination. Such person may not be counted in determining the existence of a quorum for purposes of any vote on such contract, transaction or determination. The Board shall determine by majority vote of disinterested directors whether the contract, transaction or determination is commercially reasonable and represents fair market value. The minutes of the meeting shall reflect the disclosure made, the vote thereon and, where applicable the abstention from voting and participation, and whether a quorum was present.

- c. The Board of Directors shall adopt a conflict of interest policy addressing these provisions of the Bylaws which upon its adoption shall hereby be incorporated by reference as part of these Bylaws the same as if such policy were set forth verbatim in these Bylaws, and each Director, Officer and employee of the Corporation shall annually sign a statement that (1) certifies compliance with the Corporation's conflict of interest policy and (2) discloses any of the person's financial interests and family relationships that could give rise to a conflict. .
- 10. **INDEMNIFICATION:** The Corporation shall indemnify its Directors and Officers to the fullest extent permitted by Maryland statutory and decisional law, as amended or interpreted, including the advancement of related expenses, upon a determination by the Board of Directors or independent legal counsel appointed by the Board of Directors (who may be regular counsel for the Corporation) made in accordance with applicable statutory standards; provided, however, that such indemnification shall only be to the extent permitted of organizations which are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or corresponding provisions of any future United States Internal Revenue Law) and provided further that such indemnification shall not apply as to any matter which is in violation of the Act, the Articles, or the Bylaws. No amendment of the Articles or repeal of any of its provisions shall limit or eliminate the benefits provided to Directors and Officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal.
- 11. **EXONERATION:** To the fullest extent permitted by Maryland statutory and decisional law, as amended or interpreted, no Director or Officer of the Corporation shall be personally liable to the Corporation or its members for money damages; provided, however, that the foregoing limitation of Director and Officer liability shall only be to the extent permitted of organizations which are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or corresponding provisions of any future United States Internal Revenue Law) and provided further that such limitation shall not apply as to any matter which is in violation of the Act, the Articles, or the Bylaws. No amendment of the Articles or repeal of any of its provisions shall limit or eliminate the benefits provided to Directors and Officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal.
- 12. **INSURANCE:** The Corporation shall have the power to purchase and maintain insurance in such types and amounts as determined by the Board of Director's on behalf of any person who is or was a Director, Officer, employee or agent of the Corporation, or who, while a Director, officer, employee or agent of the Corporation is or was serving any other entity at the request of the Corporation, and in any capacity, against any liability, asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the Act, the Articles, or the Bylaws.

13. **MISCELLANEOUS PROVISIONS:** Except to the extent inconsistent with the Act, the Articles, or the Bylaws, or otherwise prohibited by law the indemnification provided in Paragraph 10 shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under the Articles, any bylaw, agreement, vote of disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in any other capacity while holding office, and shall continue as to a person who has ceased to be a Director, Officer, employee or agent of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person.
14. **COMPENSATION:** The Directors and the elected Officers of the Corporation shall serve without compensation for their services as Directors or Officers. Directors and Officers may be reimbursed for all expenses reasonably incurred on behalf of the Corporation and necessary for the performance of the Corporation's duties and in furtherance of the purposes set forth in Article II of the Article of Incorporation and consistent with the Act. Any payment to any Director, Officer, or employee of the Corporation that would otherwise constitute a conflict of interest (as set forth in the Bylaws or the Conflict of Interest Policy incorporated by reference into the Bylaws) shall be approved by the Board of Directors or the Executive Committee.
15. **INSPECTION OF CORPORATE RECORDS:** These Bylaws, the roster of Directors, the books of accounts and the minutes or proceedings of the Board of Directors and of the committees shall be open to inspection no later than ten (10) days after receipt of a written request, addressed to the Chair or the Secretary of the Corporation by a member of the Corporation for any purpose reasonably related to his/her interests as a member. Such records shall be made available for the same purpose at any Board of Directors meeting when requested by at least three (3) Directors. Inspection may be made in person or by an authorized agent or attorney and inspection includes the right to make extracts at the member's expense.
16. **SIGNATURE AUTHORITY:**
- a. Checks: All checks, notes, acceptances, or other orders for payment of money shall be signed by any individual(s) authorized by the Board of Directors pursuant to the corporation's approved financial management policies (hereinafter "Financial Management Policies and Procedures").
 - b. Electronic Payments or Transfer of Funds: Any electronic payments or transfer of funds as necessary for routine transactions of the corporation (including payroll) shall be permitted by any individual(s) authorized by the Board of Directors in the corporation's Financial Management Policies and Procedures

- c. **Contracts and Other Writings:** All contracts, leases, and deeds of any kind shall be signed by any individual(s) authorized by the Board of Directors as described in the corporation's Financial Management Policies and Procedures.
 - d. **Loans:** No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by resolution of the Board of Directors. Such authority may be general or confined to specific instances.
17. **FISCAL YEAR:** The fiscal year of the Corporation shall be from July 1st to June 30th.
18. **AMENDMENTS:** These Bylaws may be amended by a two-thirds (2/3) vote of the Directors then serving. The proposed amendment(s) shall be submitted to the Directors in writing with written notice of the meeting to decide on the proposed amendment(s) at least ten (10) days prior to the meeting date. Any such amendments must be consistent with the Act and the Articles.
19. **NON-DISCRIMINATION:** The Corporation shall not discriminate against any person on the basis of any characteristic described in Section 27-1(a) of Chapter 27 of the Montgomery County Code or on the basis of political opinion or affiliation in any of its policies, procedures or practices.
20. **SEAL:** The Seal of the Corporation shall be circular in form with the words "Montgomery County Economic Development Corporation", or such other name as the Board may designate as the name of the Corporation from time to time.
21. **DISSOLUTION:** The Corporation may be dissolved by a two-thirds (2/3) vote of the Directors then serving provided that notice of the proposed dissolution has been submitted to the Directors in writing with written notice of the meeting date to decide on the proposed dissolution at least thirty (30) days prior to the meeting date. In the event of dissolution, the Board of Directors shall dispose of all of the net assets of the Corporation exclusively to such organization(s) which are organized and operated exclusively as a corporation devoted to the improvement of business conditions of one or more lines of businesses and otherwise consistent with the purposes as shall at the time qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any remaining assets not disposed of by the Board of Directors shall be disposed of by the Court in the jurisdiction in which the principal office of the Corporation is then located, exclusively for such purposes or to such organizations.
22. **COMPLIANCE WITH COUNTY LAWS:** Notwithstanding any other provision in these Bylaws, while the Corporation is designated by the Montgomery County Council under the Act as the County's Economic Development Corporation, the Corporation shall:

- a. Adopt and apply policies and procedures to ensure that its actions are fair, unbiased, non-partisan and otherwise in compliance with the Montgomery County's Human Relations Law, Chapter 27 of the Montgomery County Code;
- b. Comply with the Maryland Open Meetings Law (§ 3-101 *et seq.*, General Provisions Articles of the Maryland Code and any successor provision). In addition to any notice required under Paragraph 6(d) and 7(e), the Corporation shall comply with the notice and other provisions of the Open Meetings Law as if it were a public body. Without limiting the generality of the foregoing, each meeting of the Board of Directors must be open to the public except when the meeting is properly closed on a recorded vote of the Board for a reason expressly listed in the Open Meetings Law;
- c. Comply with the Maryland Public Information Act (§ 4-101 *et seq.*, General Provisions Article of the Maryland Code and any successor provision);
- d. Make public data sets available on the web to improve public knowledge of the Corporation and its operation, further the Corporation's mission or increase the Corporation's accountability and responsiveness;
- e. Provide the County Executive and County Council, upon request, all non-confidential data produced and received by the Corporation, including research, economic data, and minutes of Board meetings;
- f. In the case of a vote on removal of a Director pursuant to Paragraph 4(f) or on the removal of an Officer pursuant to Paragraph 5(c), the notice of meeting specified in Paragraph 6(d) and 7(e) shall inform the Directors then serving of the proposed removal;
- g. In addition to the provisions of Paragraph 18, submit to the County Executive and the County Council for review and comment any proposed amendment to the Articles of Incorporation or Bylaws at least sixty (60) days before the Corporation takes final action on the proposed amendment;
- h. Submit to the County Executive and the County Council a copy of all adopted amendments to the Articles of Incorporation and Bylaws within five (5) working days after adoption;
- i. In addition to the provisions of Paragraph 21, submit to the County Executive and the County Council for review, comment, and approval any proposed dissolution of the Corporation at least sixty (60) days before the Corporation takes final action on the proposed dissolution;

- j. Maintain its principal office within Montgomery County;
- k. Provide the County regular and complete financial reports, including an annual independent audit and any accompanying management letter, and any other report required under contract with the County; and
- l. Otherwise comply with, and recognize that its Articles and Bylaws are subject to, all County laws.

23. ANTI-RETALIATION POLICY

- a. The Corporation strictly prohibits any form of retaliation against an employee, Director or Officer who in good faith makes a complaint, raises a concern, provides information or otherwise assists in an investigation or proceeding regarding any conduct that the person reasonably believes to be in violation of the Corporations Articles of Incorporation or Bylaws, or applicable laws, rules or regulations.
- b. No Director, Officer or employee should be discharged, demoted, suspended, threatened, harassed, intimidated, coerced, or retaliated against in any other manner as a result of making a good faith complaint or assisting in the handling or investigation of a good faith complaint, that a provision of the Corporations Articles of Incorporation or Bylaws, or an applicable law, rule or regulation has been violated. The Corporation prohibits Directors, Officers or employees from being retaliated against even if their complaints are proven unfounded by an investigation, unless the Director, Officer or employee knowingly made a false allegation, provided false or misleading information in the course of an investigation, or otherwise acted in bad faith.
- c. Any Director, Officer, or employee who violates this policy is subject to disciplinary action, up to and including termination of service.

As amended by the Board of Directors on September 10, 2018.

Ola Sage, Secretary

October 30, 2020

Marc Elrich
County Executive
Montgomery County Maryland
101 Monroe Street
Rockville, MD 20850

Sydney Katz
President
Montgomery County Council
Council Office Building
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

Dear County Executive Elrich & Council President Katz:

On behalf of its Board of Directors, the Montgomery County Economic Development Corporation ("MCEDC") is pleased to provide its report of annual activities and finances, together with its Audited Financial Statements and Independent Auditor's Report for the period of July 1, 2019 to June 30, 2020.

The pandemic brought new challenges and necessitated additional support for Montgomery businesses through new COVID-19 programs and expert advice. At the same time, MCEDC stayed focused on our core mission of attraction, retention and facilitating economic growth.

2020 WORKPLAN GOALS, ACTIVITIES, AND ACCOMPLISHMENTS

MCEDC's 2020 workplan included initiatives around four themes:

- Grow and Diversify the Local Economy
- Cultivate an Ecosystem of Entrepreneurship and Innovation
- Make Montgomery County a Top 5 County to Live and Work in the US
- Grow and Sustain Income to Support MCEDC's Long-Term Mission

#1: Grow and diversify the local economy

MCEDC continued to build the pipeline of attraction and retention projects to support a vibrant job and business growth focus.

- 1,512 new jobs were created, and 842 jobs retained through our efforts.
- We completed 15 business attraction projects and 10 successful business relocations.
- Our assistance resulted in \$29.25 million in new capital invested in businesses.
- Through MCEDC efforts, 452,209 square feet of new lease space was secured.

MCEDC had 4,830 direct connections with businesses to provide economic development related assistance. Those connections tripled from the first half of FY20 (1,215) to the second half, with 3,615 connections made. Many of the connections were responses to pandemic-related business inquiries seeking expert advice or assistance. Examples of MCEDC projects in FY 2020 include:

- RADA Technologies chose Germantown to establish its U.S. headquarters, R&D and manufacturing operation. The company produces advanced electronics for the defense and aerospace industry.
- Truebill, a leading financial technology company, relocated its corporate headquarters to downtown Silver Spring from the San Francisco Bay area. The company was launched through Silicon Valley's prestigious Y-Combinator accelerator and has raised more than \$22.5 million in venture capital to date.
- Ana G. Méndez University signed a lease for 28,500 square feet in the Inventa Towers at One Discovery Place.
- Autolus, a clinical-stage biopharmaceutical company developing next-generation programmed T cell therapies, signed a long-term, full building lease for the development and construction of an 85,000 square foot facility in the Shady Grove Life Sciences Center. It also leased and moved into 27,000 square feet of offices in Rockville. The company expects to add up to 170 full-time jobs over the next three years as it expands its operations in Maryland.
- Aurinia Pharmaceuticals Inc., a Canadian-based, late-stage clinical biopharmaceutical company focused on an investigational drug for the treatment of lupus nephritis, established its U.S. commercial operations in Rockville. Aurinia expects to place up to 100 employees at the site in the first year and potentially provide 500 more over seven years.
- Nobelpharma chose Bethesda as its U.S. headquarters. MCEDC assisted the Japan-based company with site selection and state/county incentives.
- BDO's McLean office relocated to Montgomery County with 80 employees. The Life Science division absorbed 17,923 square feet and signed an 8-year lease at 12505 Park Potomac Ave in Potomac.
- ABCD & Company LLC This African American owned full-service marketing and virtual events firm established its operations in Montgomery County; MCEDC assisted with county incentives.
- MCEDC worked with GSK on Biopharm Permitting Facilitation, resulting in 400 retained employees, 100 new employees, CapEx of \$139 million and 127,689 square feet of space in Rockville.

Other business activities included:

MCEDC partnered with the Montgomery County Business Roundtable on a study aimed at propelling the county's economic growth trajectory. The study noted that the life sciences/immunotherapy, hospitality and emerging quantum computing industries are expected to create new jobs and expand business opportunities for the county.

MCEDC was tasked to lead a newly formed interagency Commerce Cabinet with a focus on coordinating Montgomery County's economic development activities and identifying signature projects.

#2 Cultivate an Ecosystem of Entrepreneurship and Innovation

As part of the BioLab Pilot Project, MCEDC engaged with 13 early-stage companies for wet lab expansion. MCEDC has approved two small wet lab construction awards to APCBio Innovations and BioInnovatise and anticipates approval of four more applications in FY21.

MCEDC cultivated stronger relationships with federal labs, building a robust database of County businesses ideal for federal lab tech transfer engagement. MCEDC assisted partners with federal funding applications, planning for future events involving post-docs and conducted outreach to federal tech transfer companies.

#3 Make Montgomery County a Top 5 County to Live and Work in the U.S.

With the University of Maryland and the Universities at Shady Grove, MCEDC engaged Avalanche Consulting to conduct a **Montgomery County Talent Gap Analysis** to help us to build out a pipeline for the current and future workforce

To further the development of the talent pipeline, MCEDC continued its collaboration with Montgomery County Public Schools, Montgomery College and Apple Corporation to facilitate the **Montgomery Can Code** program to support summer coding camp for middle schoolers. The program more than doubled in size from summer of 2019 to 2020 (over 750 students). Students learned the skills they need to pursue careers in the app economy by working in Swift, Apple's programming language. In addition to marketing the camp, MCEDC arranged for businesses to speak to students about career paths. The Montgomery Can Code partnership not only promotes education but also the development of the talent pipeline necessary to sustain Montgomery County's technology competitiveness.

The **Research University Engagement Project** took a three-prong approach to assessing the viability of strengthening the presence of research institutions/universities in the county to increase entrepreneurship, talent and new business formation

Purple Line Corridor Project: MCEDC initiated a data-driven prospectus and corresponding story-map that will highlight the assets surrounding each of the Purple Line stations throughout Montgomery and Prince George's counties. The work is designed to assist with marketing and business development efforts and will be completed during FY21.

4: Grow and Sustain Income to Support MCEDC's Long-Term Mission

MCEDC advanced its fundraising efforts in FY20, raising \$400,000 to support COVID-19 related programs in addition to studies designed to further economic development. The contributions helped underwrite a wide diversity of initiatives including the Reach Advisors Study, the Avalanche talent pipeline study, the 3R Fund, and the COVID-19 Targeted Adaption and Recovery study.

MCEDC will expand on efforts such as these and will also solicit funds from the private sector to help market Montgomery County for economic development purposes.

COMMUNITY PARTNERSHIPS

MCEDC invested over \$500,000 in community partnerships to facilitate entrepreneurship and new business development. Highlights of key partnerships include:

Maryland Tech Council and the Venture Mentoring Service

MCEDC partnered with the Venture Mentoring Service with over 75 primarily technology and life science-based start-up businesses, primarily in Montgomery County, to secure capital, seek tech transfer commercialization opportunities, and to scale up their businesses. MCEDC provides mentors for the program and follows up with participants as part of building our entrepreneurship pipeline of companies.

Bethesda Green Innovation Labs

MCEDC supported the Be Green Hub to provide access to industry-specific resources for sustainability focused startups.

Montgomery County Chamber of Commerce

We worked with Montgomery County Chamber of Commerce (MCCC) to monitor legislative activity and support the Veterans Institute for Procurement Underwriting.

Maryland Women's Business Center

We supported MWBC efforts to provide business counseling/business development assistance to small and early-stage women-owned businesses.

BHI

MCEDC collaborated on entrepreneurship activities with BHI, as our regional partner who accelerates and facilitates tech transfer and commercialization of research in federal labs, universities, and biohealth companies in the National Capital Region.

MoCo Food and Beverage Guide

MCEDC is in a three-year partnership to produce the MoCo Food and Beverage Guide, co-produced with the Montgomery County Food Council, and featuring more than 60 locally produced products.

COVID RESPONSE

The unprecedented impact of the COVID-19 pandemic caused MCEDC to pivot many of its operations to assist in short-term efforts to provide a focus on economic stability for businesses. Among other initiatives, MCEDC:

- Shared timely business advice and updates on national, state and local support, including Montgomery County's \$25 million emergency grant for small businesses early in the pandemic, \$10 million for area hospitals and a \$14 million program to reimburse small businesses for certain reopening costs.
- Developed and administered innovative programs such as the Local Production Fund, offering direct assistance to local makers to manufacture PPE and other COVID-related needs. A total of 25 local recipients received awards totaling \$200,000, with 73% of the funding awarded to companies led by women or minority entrepreneurs.
- Partnered with Visit Montgomery, local restaurants, and our farm community to deliver messages on food and beverage delivery and contactless curbside options.
- Administered the Telework Assistance Program to help local businesses keep operations going during this pandemic. Over \$1,044,000 was distributed to 547 businesses across the county. A total of 57% of approved grants were awarded to women or minority-owned companies.
- Collaborated with a research firm and the Maryland National Capital Region Economic Development Alliance (MNCREDA) on a longitudinal study to assess the impact of COVID-19 and identify resources to help businesses achieve rapid economic recovery across six suburban Maryland counties.
- Created a public-private 3R (Reopen, Relaunch and Reimagine) Initiative. Supported by public and private funding from Montgomery County and PEPCO, the program includes a retail recovery guide, a countywide e-commerce marketplace, a grant, and additional targeted investments in selected commercial corridors.

MARKETING AND OUTREACH SUPPORT FOR BUSINESSES

MCEDC saw a 77% increase in our website visits in the second half of FY20, reaching over 35,000 users, largely due to area businesses looking for pandemic resources. Timely newsletters and social media posts also shared essential COVID-19 business news, as well as positive news stories such as the 49 MoCo companies that make the Inc 5000 fastest growing private company list.

MCEDC promoted local restaurants, makers and farms through PSAs, dedicated webpages, and digital banner ads.

We increased our focus on communicating to more diverse business audiences by translating some of our key messages into Spanish, working with Montgomery Community Media to develop a Small Business Network show in Spanish, expanding translation options on our website, and building our outreach to diverse media outlets.

FINANCIAL RESULTS

MCEDC engaged CohnReznick to conduct an independent review of its financial statements for the period ending June 30, 2020. We are pleased to report that the MCEDC received an unmodified opinion

and that no internal control deficiencies were identified or considered material. The audited Financial Statements and required communications letter for FY 2020 is enclosed.

The costs associated with the execution of programs and activities has been summarized on a functional basis in the enclosed Statement of Activities. Of the \$5,983,138 in expenditures through June 30, 2020, 85% were considered programmatic costs and 15% of expenditures were allocated to general and administrative (G&A) and fundraising.

As noted in the Statement of Financial Position, MCEDC carried forward a cash balance at the end of the fiscal year in the amount of \$2,310,043. The FY20 cash balance is being used to supplement MCEDC's FY21 programmatic activity and to maintain a minimum of a three-month operating reserve as required by our Board-approved Financial Management Policy.

In summary, MCEDC is proud to serve as Montgomery County's lead economic development organization and of our efforts to support business recovery, while continuing to focus on accelerating economic growth.

Sincerely,

A handwritten signature in dark ink that reads "Bill Tompkins". The signature is written in a cursive, slightly slanted style.

Bill Tompkins
Executive Vice President & Chief Operating Officer
Montgomery County Economic Development Corporation

cc:

Jerome Fletcher, Assistant CAO (Chief Administrative Officer)
Montgomery County Office of the County Executive

Gene Smith, Legislative Analyst
Montgomery County Council

**Montgomery County
Economic Development Corporation**

**Financial Statements
and Independent Auditor's Report**

June 30, 2020 and 2019



Montgomery County Economic Development Corporation

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Independent Auditor's Report

To the Board of Directors
Montgomery County Economic Development Corporation

We have audited the accompanying financial statements of the Montgomery County Economic Development Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montgomery County Economic Development Corporation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Bethesda, Maryland
October 28, 2020

Montgomery County Economic Development Corporation

**Statements of Financial Position
June 30, 2020 and 2019**

Assets

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 3,134,856	\$ 2,428,849
Accounts receivable - trade, net	25,220	674
Accounts receivable - other, net	-	25,000
Contributions receivable	300,000	-
Prepaid expenses	30,645	27,082
Property and equipment, net	627,180	722,427
Intangible asset, net	<u>11,680</u>	<u>17,774</u>
 Total assets	 <u>\$ 4,129,581</u>	 <u>\$ 3,221,806</u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 132,576	\$ 60,991
Accrued expenses	232,543	360,203
Deferred rent	<u>636,919</u>	<u>693,330</u>
 Total liabilities	 <u>1,002,038</u>	 <u>1,114,524</u>
 Commitments and contingencies	 -	 -
Net assets without donor restrictions		
Undesignated	1,410,043	1,157,282
Board designated	<u>900,000</u>	<u>900,000</u>
 Total net assets without donor restrictions	 2,310,043	 2,057,282
 Net assets with donor restrictions	 <u>817,500</u>	 <u>50,000</u>
 Total net assets	 <u>3,127,543</u>	 <u>2,107,282</u>
 Total liabilities and net assets	 <u>\$ 4,129,581</u>	 <u>\$ 3,221,806</u>

Montgomery County Economic Development Corporation

**Statement of Activities
Year Ended June 30, 2020**

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue and support			
Contributions - Montgomery County	\$ 5,007,752	\$ 1,600,000	\$ 6,607,752
Contributions - other	-	392,500	392,500
Contributed services	1,972	-	1,972
Interest income	1,175	-	1,175
Net assets released from restriction	1,225,000	(1,225,000)	-
Total revenue and support	6,235,899	767,500	7,003,399
Operating expenses			
Program activities	5,102,934	-	5,102,934
Supporting activities	880,204	-	880,204
Total expenses	5,983,138	-	5,983,138
Changes in net assets	252,761	767,500	1,020,261
Net assets, beginning	2,057,282	50,000	2,107,282
Net assets, end	\$ 2,310,043	\$ 817,500	\$ 3,127,543

Montgomery County Economic Development Corporation

**Statement of Activities
Year Ended June 30, 2019**

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue and support			
Contributions - Montgomery County	\$ 4,932,634	\$ -	\$ 4,932,634
Contributions - other	-	50,000	50,000
Contributed services	2,463	-	2,463
Interest income	1,949	-	1,949
Net assets released from restriction	-	-	-
Total revenue and support	<u>4,937,046</u>	<u>50,000</u>	<u>4,987,046</u>
Operating expenses			
Program activities	3,495,693	-	3,495,693
Supporting activities	<u>866,802</u>	<u>-</u>	<u>866,802</u>
Total expenses	<u>4,362,495</u>	<u>-</u>	<u>4,362,495</u>
Changes in net assets	574,551	50,000	624,551
Net assets, beginning	<u>1,482,731</u>	<u>-</u>	<u>1,482,731</u>
Net assets, end	<u>\$ 2,057,282</u>	<u>\$ 50,000</u>	<u>\$ 2,107,282</u>

Montgomery County Economic Development Corporation

**Statement of Functional Expenses
Year Ended June 30, 2020**

	Program	Supporting		Total
		General and administrative	Fundraising	
Salaries	\$ 1,792,360	\$ 448,656	\$ 24,925	\$ 2,265,941
Marketing, public relations, website	242,685	-	-	242,685
Benefits and payroll taxes	417,048	104,394	5,800	527,242
Rent expense	123,624	30,945	1,719	156,288
Repairs	-	279	-	279
Events/sponsorships	188,069	-	-	188,069
Membership and subscriptions	142,303	-	-	142,303
Strategic initiatives	-	-	-	-
Business development	310,313	-	-	310,313
Depreciation expense	75,340	18,859	1,048	95,247
Accounting and audit	-	68,335	-	68,335
IT equipment and software	48,446	12,127	674	61,247
Miscellaneous subcontractors	-	30,697	-	30,697
Business travel	36,971	-	-	36,971
Office expenses	22,816	5,711	317	28,844
Human resources	-	90,664	-	90,664
Meals and entertainment	4,308	3,780	-	8,088
Professional development	6,968	-	-	6,968
Parking	16,633	4,164	231	21,028
Insurance	-	12,558	-	12,558
Legal	-	8,023	-	8,023
Telephone	6,242	1,563	87	7,892
Equipment lease	4,821	1,207	67	6,095
Amortization expense	4,820	1,207	67	6,094
Internet and television	3,470	869	48	4,387
Security	2,521	631	35	3,187
Miscellaneous expenses	458	115	6	579
Telework assistance fund	1,044,321	-	-	1,044,321
Bank fees	-	396	-	396
Goal 1 - Grow and diversify	570,397	-	-	570,397
Goal 4 - Private fundraising	-	-	-	-
Goal 3 - Entrepreneurship and innovation	20,000	-	-	20,000
Goal 2 - Work and live	18,000	-	-	18,000
Total expenses year ended June 30, 2020	<u>\$ 5,102,934</u>	<u>\$ 845,180</u>	<u>\$ 35,024</u>	<u>\$ 5,983,138</u>

Montgomery County Economic Development Corporation

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program	Supporting		Total
		General and administrative	Fundraising	
Salaries	\$ 1,668,419	\$ 451,970	\$ 5,527	\$ 2,125,916
Marketing, public relations, website	487,923	-	-	487,923
Benefits and payroll taxes	319,694	86,604	1,059	407,357
Rent expense	136,634	37,014	453	174,101
Repairs	-	-	-	-
Events/sponsorships	148,581	-	-	148,581
Membership and subscriptions	140,432	-	-	140,432
Strategic initiatives	124,000	-	-	124,000
Business development	103,031	-	-	103,031
Depreciation expense	74,751	20,249	248	95,248
Accounting and audit	-	73,753	-	73,753
IT equipment and software	51,419	13,929	170	65,518
Miscellaneous subcontractors	-	53,628	-	53,628
Business travel	52,297	-	-	52,297
Office expenses	26,988	7,311	89	34,388
Human resources	-	33,813	-	33,813
Meals and entertainment	5,233	14,728	-	19,961
Professional development	18,101	-	-	18,101
Parking	11,744	3,181	39	14,964
Insurance	-	13,693	-	13,693
Legal	-	13,463	-	13,463
Telephone	6,338	1,717	21	8,076
Equipment lease	5,578	1,512	18	7,108
Amortization expense	4,783	1,295	16	6,094
Internet and television	3,179	861	11	4,051
Security	1,256	340	4	1,600
Miscellaneous expenses	-	-	-	-
Telework assistance fund	-	-	-	-
Bank fees	-	83	-	83
Goal 1 - Grow and diversify	81,264	-	-	81,264
Goal 4 - Private fundraising	-	-	30,003	30,003
Goal 3 - Entrepreneurship and innovation	22,198	-	-	22,198
Goal 2 - Work and live	1,850	-	-	1,850
Total expenses year ended June 30, 2019	<u>\$ 3,495,693</u>	<u>\$ 829,144</u>	<u>\$ 37,658</u>	<u>\$ 4,362,495</u>

Montgomery County Economic Development Corporation

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ 1,020,261	\$ 624,551
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	101,341	101,342
(Increase) decrease in		
Accounts receivable - trade	(24,546)	9,836
Accounts receivable - other	25,000	25,000
Contributions receivable	(300,000)	-
Prepaid expenses	(3,563)	(25,282)
Increase (decrease) in		
Accounts payable	71,585	(49,769)
Accrued expenses	(127,660)	104,228
Deferred rent	(56,411)	(47,719)
	<u>706,007</u>	<u>742,187</u>
Net cash provided by operating activities		
	<u>706,007</u>	<u>742,187</u>
Net increase in cash and cash equivalents		
	<u>706,007</u>	<u>742,187</u>
Cash and cash equivalents, beginning	<u>2,428,849</u>	<u>1,686,662</u>
Cash and cash equivalents, end	<u>\$ 3,134,856</u>	<u>\$ 2,428,849</u>

Montgomery County Economic Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

Note 1 - Organization and purpose

The Montgomery County Economic Development Corporation ("MCEDC", the "Organization") was formed on October 5, 2015 as a nonstock corporation under the laws of the State of Maryland. MCEDC's formation was authorized on June 30, 2015 by way of the approval of Bill 2515 of the County Council of Montgomery County, Maryland (the "County"). MCEDC's sole purpose is serving as the County's economic and development corporation and implementing the County's economic development strategic plan and related programs. MCEDC is primarily supported by and operates under a contract with the County that establishes a framework for MCEDC to operate in order to carry out its purpose. The contract is renewable on an annual basis.

Note 2 - Summary of significant accounting policies and other matters

Basis of accounting

These financial statements have been prepared on the accrual basis of accounting and are intended to present net assets, revenue, expenses, gains and losses, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Include revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue is reported as increases in net assets without donor restrictions unless uses of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at a bank. Cash balances held at the bank are insured by the Federal Deposit Insurance Corporation. Cash balances held at the bank may from time to time exceed federally insured amounts. Management does not feel there is a risk of loss due to balances that exceed insured amounts.

Accounts receivable

Accounts receivable - trade, consist of amounts due from third parties as a result of various contractual agreements. Management determines any needed allowances for doubtful accounts of trade receivables by reviewing and identifying any troubled collectible amounts as necessary. The Organization has not experienced any collection difficulties with its trade receivables and, therefore, has not provided for an allowance for doubtful accounts. Recoveries of any written-off amounts would be recorded when received.

Montgomery County Economic Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

Accounts receivable - tenant allowance, represents the value of property and equipment, in the form of leasehold improvements, paid for by the Organization that they have rights to be reimbursed for by the lessor of its rented space in accordance with the terms of its lease agreement. In accordance with the terms of the lease agreement, up to 85% of the tenant allowance is due to be paid to the Organization not more frequently than once per month with the final amount due to the Organization based on the completion of certain conditions, as defined in the lease agreement. The tenant allowance was received in full in a prior year.

Other receivable consisted of a housing allowance paid to the former President and Chief Executive Officer (the "President") of the Organization in accordance with the terms of an employment contract between the former President and the Organization on September 6, 2016. The housing allowance was to be repaid in the event that certain termination clauses, as defined in the employment contract, were triggered, with the full amount of the housing allowance being forgiven after three years. The original amount of the housing allowance was \$100,000. At June 30, 2019, \$25,000 remained subject to repayment in accordance with the terms of the employment contract. Those terms were satisfied during the year ended June 30, 2020. As of June 30, 2020, the housing allowance had been fully forgiven.

Property and equipment

Property and equipment are carried at cost, net of accumulated depreciation and are depreciated for financial reporting purposes using the straight-line method over the estimated useful lives of the assets. The respective original useful lives are as follows:

Assets	Estimated useful life (years)
Leasehold improvements	10
Furniture and equipment	8

Deferred rent

The Organization records rent expense on a straight-line basis on its office lease that contains fixed annual rental increases. The difference between rent expense and payments made under the lease is reflected as deferred rent.

Contributions

Contributions are recognized as revenue in the period received. Contributions with donor-imposed restrictions are reported as support and added to net assets with donor restrictions. As of June 30, 2020 and 2019, MCEDC's contributions with donor restrictions totaled \$1,992,500 and \$50,000, respectively.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributed services

MCEDC recognizes contributed services at fair value if the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying statements of activities as contributed services are offset by like amounts included in expenses.

Montgomery County Economic Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

During the years ended June 30, 2020 and 2019, MCEDC received contributed professional services, with a fair value on the dates of donation, of \$1,972 and \$2,463, respectively.

Various members of MCEDC's Board of Directors have made significant contributions of their time to establish MCEDC. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such efforts were not satisfied.

Marketing and advertising

Marketing and advertising costs are expensed as incurred.

Income taxes

Pursuant to a letter of determination received from the Internal Revenue Service (the "IRS") on March 30, 2017, MCEDC is exempt from federal income tax in accordance with section 501(c)(3) of the Internal Revenue Code, except for income taxed on "unrelated business income," if any. The exemption is retroactive to MCEDC's formation date of October 5, 2015. For the years ended June 30, 2020 and 2019, MCEDC did not have any "unrelated business income" subject to income taxes; accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements and the Organization has not identified any uncertain tax positions that qualify for recognition or disclosure in the notes to the financial statements.

MCEDC is required to file and does file tax returns with the IRS. While no tax returns of the Organization are currently being examined by the IRS, tax returns since 2017 remain open for examination.

Intangible asset

During the year ended June 30, 2017, MCEDC incurred costs related to the development of its website, "thinkmoco.com." Website costs include the cost to develop, enhance, manage and monitor MCEDC's website and online operations. MCEDC accounts for such costs in accordance with the accounting guidance pertaining to internal-use software and website development costs. Accordingly, qualifying website costs are capitalized and are amortized over their anticipated useful lives (currently five years) using the straight-line method. Other costs, such as maintenance and training, are expensed as incurred. Amortization expense for both 2020 and 2019 was \$6,094. Accumulated amortization as of June 30, 2020 and 2019 was \$18,790 and \$12,696, respectively.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New accounting pronouncements

During the year ended June 30, 2020, the Organization adopted the Financial Accounting Standards Board's ("FASB's") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 did not have an effect on the timing of the Organization's revenue recognition for the year ended June 30, 2020.

During the year ended June 30, 2020, the Organization adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)* ("ASU 2016-18"). ASU 2016-18 addresses diversity in practice with respect

Montgomery County Economic Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents, and restricted cash between the balance.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and contributions made in the accompanying financial statements. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08

Subsequent events

Material subsequent events have been considered for disclosure and recognition in these financial statements through October 28, 2020, the date the financial statements were available to be issued.

Note 3 - Liquidity and availability of resources

The table below represents the Organization's financial assets for general expenditures as of June 30, 2020 and 2019:

	2020	2019
Financial assets at year end		
Cash and cash equivalents	\$ 3,134,856	\$ 2,428,849
Accounts receivable - trade, net	25,220	674
Accounts receivable - other, net	-	25,000
Contributions receivable	300,000	-
Total financial assets	3,460,076	2,454,523
Less amounts not available to be used within one year		
Net assets with donor restrictions - cash and cash equivalents	517,500	50,000
Net assets with donor restrictions - contributions receivable	300,000	-
	817,500	50,000
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,642,576</u>	<u>\$ 2,404,523</u>

As discussed in Note 1, the Organization is primarily supported by the County. While the contract with the County is renewable on an annual basis, the Organization does not believe there to be any risk the contract will not be renewed. Accordingly, the Organization believes that the anticipated renewal of the contract, which would provide an equivalent level of support as prior years, in combination with financial assets on hand at June 30, 2020 is more than sufficient to pay the general expenditures of the Organization for one year from June 30, 2020.

Additionally, during the year ended June 30, 2019, the Board of Directors of the Organization established an operating reserve to assist in maintaining financial stability for the Organization. The

Montgomery County Economic Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

reserve is based on three months of operating expenses. As of both June 30, 2020 and 2019, the reserve balance is \$900,000.

Note 4 - Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Supporting services consist of general and administrative expenses and fundraising expenses. The expenses that are allocated include personnel costs, repairs and maintenance, office expenses, utilities, marketing, legal, insurance, depreciation and amortization, and occupancy. The expenses are allocated on the basis of estimates of time and effort. Expenses directly attributable to a functional area are directly charged to that area.

Note 5 - Property and equipment

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Leasehold improvements	\$ 856,639	\$ 856,639
Furniture and equipment	95,830	95,830
	952,469	952,469
Less accumulated depreciation	325,289	230,042
	<u>\$ 627,180</u>	<u>\$ 722,427</u>

For the years ended June 30, 2020 and 2019, depreciation expense was \$95,247 and \$95,248, respectively.

Note 6 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for purposes to further MCEDC's mission.

For the years ended June 30, 2020 and 2019, net assets released for donor-restricted purposes in support of MCEDC's mission were \$1,225,000 and \$0, respectively.

Note 7 - Retirement plan

MCEDC sponsors a contributory defined contribution plan (the "Retirement Plan") covering eligible salaried employees. The Retirement Plan allows for safe harbor matching contributions by MCEDC to eligible participants. For the years ended June 30, 2020 and 2019, the Retirement Plan expense was \$76,621 and \$65,825, respectively.

Montgomery County Economic Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

Note 8 - Commitments

MCEDC entered into a 10-year lease for an office space in Rockville, Maryland. Rental payments on the lease commenced beginning April 20, 2017. Rent expense for the years ended June 30, 2020 and 2019 was \$299,216 and \$268,301, respectively. Additionally, effective May 1, 2017, MCEDC entered into a memorandum of understanding (the "MOU") with two third-party organizations (the "sub-tenants") to use a portion of MCEDC's leased office space. The MOU calls for the sub-tenants to pay a stated amount of license fees to MCEDC in advance each month, as well as a share of the operating costs on a yearly basis that MCEDC is subject to per its lease agreement. In addition, the MOU calls for the sub-tenants to pay a pro-rata share of administrative expenses each month in arrears. For the years ended June 30, 2020 and 2019, MCEDC recognized \$127,415 and \$125,155, respectively, of reimbursements related to the MOU, which is recorded net of rent expense. Rent expense, net of sub-tenant reimbursements, was \$156,288 and \$174,101 for the years ended June 30, 2020 and 2019, respectively.

MCEDC is also obligated under certain leases for office equipment through 2020.

Future minimum lease payments due under all lease arrangements as of June 30, 2020, are summarized as follows:

2021	\$	336,244
2022		345,419
2023		354,847
2024		361,929
2025		371,882
Thereafter		<u>707,797</u>
	\$	<u><u>2,478,118</u></u>

Note 9 - Risks and uncertainties - COVID-19

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on MCEDC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be determined at this time.



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Montgomery County Economic Development Corporation (MCEDC) Fiscal Year 2021 Strategic and Operational Workplan Guiding Principles



MCEDC will leverage its unique role as the bridge between the private and public sectors. It will collaborate with partners to create the conditions necessary for industries to grow, start-ups to launch, and businesses to reposition themselves both in response and recovery to the current COVID-19 public health crisis and in continuing our long-term efforts to improve available Montgomery County economic opportunities.

Three Strategies

In alignment with the MCEDC contract obligations to the County and to be complementary to the work of our partners, the following three strategies will continue to guide our work in FY21:

- Advance Montgomery County industry growth and diversification;
- Foster Montgomery County entrepreneurial activity and new business formation; and
- Respond to the needs of targeted and emerging Montgomery County industries.

Work Plan Objectives

Work plan objectives are highlighted below and are supported by separate operating plans and tactics. The performance against these objectives will be measured on an ongoing basis and reported on a quarterly basis.

1) To advance Montgomery County industry growth and diversification, MCEDC will:

- **Create at least 1200 new jobs within companies identified through MCEDC's attraction, retention, and expansion efforts across targeted industries.**
 - Life Sciences: Cell and Gene Therapy, Vaccines, Biologics, US Operations/International Firms, MedTech
 - Technology: Cybersecurity, Software Companies, Health Tech, Fin Tech
 - Non- Profits/ Entrepreneurship: Non-Profits, Tech Non-Profits, Social Change Tech, Defense
 - Hospitality / Corporate Headquarters, Management Companies, Hospitality Tech, REITs
 - Real Estate / Site Selectors, Developers, Landlord/Tenant Reps
- **Engage with 100 diverse businesses across industries to create revenue generating opportunities, B2B networking opportunities and connections, and a stronger local supply chain.**
- **Connect businesses and partners with federal laboratories, federal funding programs, regulatory agencies and technology which can be commercialized.**
- **Use MCEDC media tools including the newsletter, website, and social channels to engage diverse businesses and to produce useful and timely information.**

2) To foster Montgomery County entrepreneurial activity and new business formation, MCEDC will:

- **To support an inclusive economy, work with partners to identify and source funding directed to and received by diverse entrepreneurs.**
- **Implement targeted outreach using media tools to better reach diverse audiences.**

- Establish a “MoCo Innovation Center” to bring together primary elements of new business formation needs into a resource center which provides access to tools and services to enable entrepreneurship and business formation within Montgomery County; in developing this multi-year program, align partners to provide services and oversee/monitor results.
- 3) To respond to the needs of targeted and emerging Montgomery County industries, MCEDC will:
- Lead the economic development recovery efforts as defined and recommended by the work of the County Executive’s Economic Advisory Group, as well as its related economic recovery task forces, to prioritize, direct implementation activities, and manage programs as appropriate.
 - Follow up with at least 125 of the companies participating in MCEDC studies/fund programs to determine the impact of efforts and recommend further options to help ensure business sustainability.
 - Attract and retain talent within Biohealth and IT/Cyber industries, by connecting 50 companies with post-secondary institutions and tech/STEM training providers.

Economic Indicators Reporting Information

Tracking different types of economic indicators and identifying trends help to paint a clearer economic picture of Montgomery County as a whole. Economic Indicators are useful for MCEDC and its partners to follow over time. For FY21 we recommend continuing to share and publish information about the following economic indicators:

- Net new establishments (Quarterly);
- Office vacancy rate (Quarterly);
- Total employment (Quarterly);
- Unemployment rate gap (Annual – national level, census data not BLS);
- Average wage (Sector information available annually);
- Median home price to household income ratio (Calculated at one specific time each year – not an average);
- Venture Capital investments in county businesses (Constant updates through Pitchbook); and
- Percentage of State’s GDP.

County Contract Reporting Requirements For MCEDC

As part of its County contract, MCEDC regularly reports information on the following:

- Number of new jobs created, and number of existing jobs retained through MCEDC efforts;
- Number of new business relocations and existing business expansions accomplished through MCEDC efforts;
- Amount of new capital investment created or facilitated through MCEDC efforts;
- The amount of net new commercial space occupied through MCEDC efforts;
- Number of new business establishments by industry through MCEDC efforts;
- Breakdown of business assistance requests by industry, geography, and company size, in addition to the type of assistance provided; and
- Guidance to the County Executive concerning any policies which would facilitate economic development growth and retention efforts based on learnings from business engagements referenced above.

MCEDC Responses to County Council Questions
MCEDC Legislative Redesignation
PHED Committee Worksession
November 16, 2020

1) Can you share the MCEDC approved FY21 strategic work plan?

Please see attached.

2) Regarding MCEDC's pipeline (pipeline is defined as unique businesses that are targeted for a defined attraction/retention project):

a. What is MCEDC's strategy to increase the County's pipeline?

Montgomery County's attraction, retention, and expansion pipeline flow derives from several sources. The sources vary from our partnership with federal, state, and municipal economic development offices to working closely with site selectors and developers to engaging directly with companies themselves, among others. We actively cultivate referrals from our partners and third parties through constant engagement and communication. We also directly solicit companies through direct marketing, participation in national and regional conferences, international recruiting, and collaborative events with partners such as the Bio Innovation Conference and the Maryland Tech Council as examples.

We have had significant recent successes leveraging our Montgomery County life sciences assets for national and international attractions such as Aurinia Pharmaceuticals, NobelPharma, Autonomous Therapeutics, Genetron Health, and On Demand Pharmaceuticals, as well as local expansions such as Novavax, Emergent, and Qiagen among others. We intend to continue to strategically deploy our MCEDC business development, strategic initiatives, and marketing teams to identify companies for attraction that match our assets and development goals, while diversifying and building Montgomery County's economy.

b. How much staff time (in terms of annual FTEs) is devoted to growing and cultivating the pipeline?

In total, 60% of FTE hours are tied directly to pipeline efforts.

Our pipeline cultivation is spearheaded by the seven-member MCEDC Business Development team, led by Senior Vice President Brad Stewart. In addition, other MCEDC staff have also been engaged with our attraction, retention, and expansion efforts, most notably President & CEO Ben Wu and Executive Vice President & COO Bill Tompkins. As a very collaborative organization, the MCEDC business expansion strategies also rely on the staff assistance and coordination of the marketing and communications team, as well as the strategic initiatives team.

c. How many unique businesses are currently in the pipeline?

For FY21 YTD, there are 56 businesses in the pipeline. At any given time, the range includes dozens of potentially targeted companies across several industry sectors.

d. What is the 12-month average of unique businesses in the pipeline for 2020, for 2019, and for 2018?

2020: 9.99, 2019: 9.25, 2018: 10.33, 2017: 3.8

Full Year Totals: 2020: 56, 2019:111, 2018: 124, 2017: 19 These numbers do not include closed/won projects.

When new MCEDC leadership began in January 2020, the business development structures to support attraction, retention, and expansion efforts were overhauled. The COVID-19 pandemic crisis, the resulting shelter-in-place requirements, and the need for remote working have impacted the execution of MCEDC's planned aggressive customer-facing outreach strategy. Despite these limitations, there have been dozens of potentially targeted companies across several industry sectors in the pipeline since the start of the calendar year.

e. What is the industry sector breakdown for the 12-month average of unique businesses in the pipeline for 2020, for 2019, and for 2018?

This information is not computing correctly in Salesforce.

Since the start of the year, the new MCEDC leadership team has focused on key targeted industries. To support Montgomery County industry growth and diversification, MCEDC has identified the following target industry sectors: Life Sciences: Cell and Gene Therapy, Vaccines, Biologics, US Operations/International Firms, MedTech; Technology: Cybersecurity, Software Companies, Health Tech, Fin Tech; Non- Profits/ Entrepreneurship: Non-Profits, Tech Non-Profits, Social Change Tech, Defense; and Hospitality/Real Estate/Finance: Corporate Headquarters, Management Companies, Hospitality Tech, Actuarial Sciences-Insurance, Finance, Site Selectors, Developers, Landlord/Tenant Reps, Large Real Estate Projects.

f. How will MCEDC measure its success for attracting/retaining businesses in the County?

Tracking different types of economic indicators and identifying trends help to paint a clearer economic picture of Montgomery County as a whole. We intend to continue sharing and publishing information about the following economic indicators:

- Net new establishments (Quarterly);
- Office vacancy rate (Quarterly);
- Total employment (Quarterly);
- Unemployment rate gap (Annual – national level, census data not BLS);
- Average wage (Sector information available annually);
- Median home price to household income ratio (Calculated at one specific time each year – not an average);
- Venture Capital investments in county businesses (Constant updates through Pitchbook); and
- Percentage of State's GDP.

In addition, as part of its County contract, MCEDC regularly reports on the following:

- Number of new jobs created, and number of existing jobs retained through MCEDC efforts;
- Number of new business relocations and existing business expansions accomplished through MCEDC efforts;
- Amount of new capital investment created or facilitated through MCEDC efforts;
- The amount of net new commercial space occupied through MCEDC efforts;
- Number of new business establishments by industry through MCEDC efforts;
- Breakdown of business assistance requests by industry, geography, and company size, in addition to the type of assistance provided; and
- Guidance to the County Executive concerning any policies which would facilitate economic development growth and retention efforts based on learnings from business engagements referenced above.

3) **Regarding business formation:**

a. **Based on MCEDC’s work within the business community, what are the major reasons that MCEDC believes Montgomery County lags in business formation compared to our neighboring jurisdictions?**

Understanding the lack of new business formation – or if there really is a lag at all – is a complex exercise. There is the anecdotal explanation that is often heard within Montgomery County and throughout the region: that Montgomery County is not business friendly, the government is too heavy-handed, the bureaucratic process is too onerous, the regulations too burdensome, and the taxes are too high. MCEDC seeks to counter misperceptions and to change the narrative through a combination of reform, rebranding and research efforts.

One such research effort that MCEDC is undertaking is to better understand the data regarding recent reports about business establishments. For example, based on preliminary analyses, the 2-digit NAICS code that has lost the largest number of Montgomery County establishments since 2010 is “NAICS 81: Other Services.” This is also the NAICS code with the largest number of establishments in Montgomery County – over 6,700 as of 2019 Q4.

The table below shows the top 5 industries for establishments at the 2-digit NAICS code-level in Montgomery County.

Table 1: Top 5 Industries by Establishment Count in Montgomery County

Industries	NAICS Code	Establishments (2019 Q4)	Average Jobs per Establishment
Other Services (e.g., repair, personal care, private household)	81	6,750	3.3
Professional, Scientific, and Technical Services (white collar services)	54	6,419	10.9
Health Care and Social Assistance	62	3,856	18.2
Retail Trade	44-45	2,549	17.3
Construction	23	2,498	9.4

NAICS 81 can be divided into four main subsectors:

- Repair services (NAICS 811)
- Personal care services (NAICS 812)
- Religious, political, and other organizations (NAICS 813)
- Private Households (NAICS 814)

Of these subsectors, “private households” is by far the largest, and is also larger than all of Montgomery County’s other industry establishments, as well.

Table 2: Top 5 Subsectors by Establishment Count in Montgomery County

Industry Subsectors	NAICS Code	Establishments (2019 Q4)	Average Jobs per Establishment
Private Households	814110	4,732	1.0
Computer Systems Design Services	541512	1,129	9.5
Administrative Management and General Management Consulting Services	541611	1,069	6.8
Offices of Physicians (except Mental Health Specialists)	621111	1,037	10.5
Limited-Service Restaurants	722513	837	15.1

From 2012 to 2019, Montgomery County lost over 1,000 private household establishments. The “private households” subsector is legally defined as:

Firms in the Private Households subsector include private households that engage in employing workers on or about the premises in activities primarily concerned with the operation of the household. These private households may employ individuals, such as cooks, maids, butlers, and outside workers, such as gardeners, caretakers, and other maintenance workers.

The following tables illustrate that the decline in “private households” establishments had a major impact on Montgomery County’s overall establishment numbers as well as how the county compares to the region.

Table 3: Change in Establishments 2010-2019 in Washington’s Three Largest Economies including Private Households (NAICS 814)

	Montgomery County	Fairfax County	District of Columbia
2010	32,629	33,861	34,755
2019	33,166	36,844	40,698
Net Change	+537	+2,983	+5,943
Percent Change	+1.6%	+8.8%	+17.1%

Table 4: Change in Establishments 2010-2019 in Washington’s Three Largest Economies excluding Private Households (NAICS 814)

	Montgomery County	Fairfax County	District of Columbia
2010	26,958	31,159	29,423
2019	28,337	34,147	34,568
Net Change	+1,379	+2,988	+5,145
Percent Change	+5.1%	+9.6%	+17.5%

When NAICS 814 is excluded from the chart, Montgomery County's post-recession business formation trends do not lag as significantly recent reports and news articles may suggest. In fact, Montgomery County has added over 1,300 establishments when excluding decline in private household establishments.

Since most research on the local economy is conducted on the largest employing industries, private households (NAICS 814) seldom emerge, since they generally employ less than 5 people each. In 2019, this accounted for only 1% of jobs in the county.

However, private household establishments, which dropped significantly since 2012, still accounted for a very large proportion (15%) of establishments in Montgomery County in 2019.

MCEDC will continue to work with its research partners, such as the Planning Board research staff, to validate this finding over the next couple of weeks and can share the findings with the County Council.

b. What's is MCEDC's strategy to increase business formation in the County?

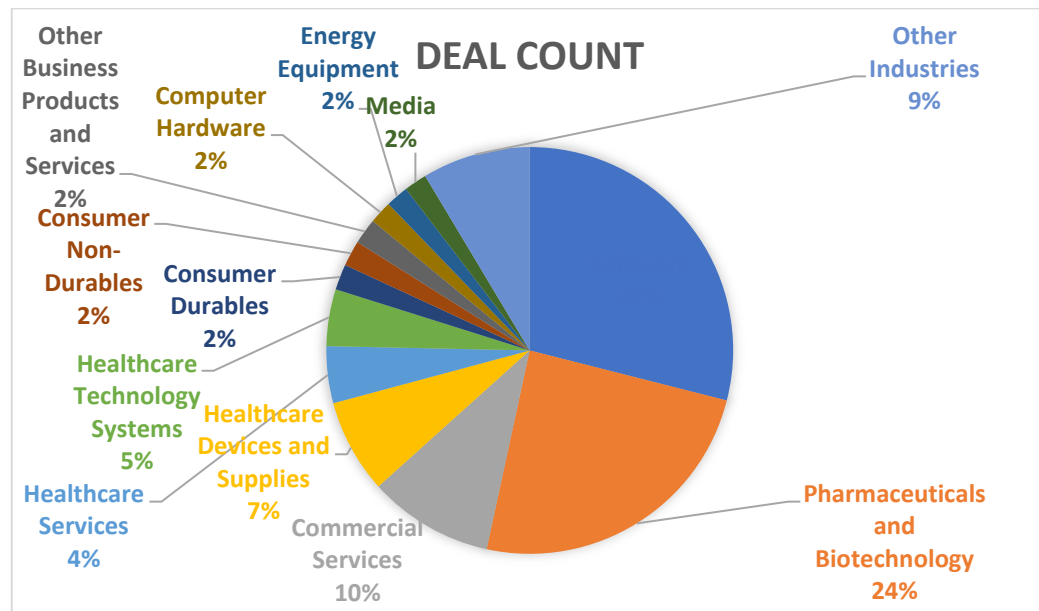
Private households and establishment data notwithstanding, there has been a criticism for having a lower rate of entrepreneurship than it should, given the region's resources. These lackluster numbers, combined with the national statistics demonstrating tremendous resource and networking disparities for Black entrepreneurs and female founders, highlight several areas in which MCEDC and its partners can intervene.

Over the past four years, through various business workgroups, industry task forces, and day-to-day conversations with entrepreneurs, it is clear that the biggest challenge for local entrepreneurs is a lack of network, relationships, and connections. This is especially true for minority entrepreneurs and start-ups. These are foundations from which access to capital, customers, talent and mentors can grow. In simple terms, building an entrepreneurial ecosystem – with a heavy emphasis on connections and relationships – is one of the most valuable initiatives MCEDC can undertake to support new business formation.

After network/relationship building, there are conflicting views about how to address the remaining business formation challenges in Montgomery County. For example, many entrepreneurs have told us that access to capital is a problem, yet there are experts who argue our local entrepreneurs are simply not far enough along in their concepts to receive private investments.

At the same time, however, Montgomery County companies have received nearly \$2.6B in investments since 2015, with more than half of the deals going to non-biohealth companies. If over half of these entrepreneurs are not biohealth companies, there may be a role for MCEDC and its partners in expanding their programs to meet the needs of growth-stage companies across the board.

Percent of Deals by Industry in Montgomery County since 2015



Entrepreneurship partners like TEDCO and the Be Green Innovation Lab have reported to MCEDC that the quantity and sophistication of Montgomery County applicants to their programs have been declining in the past few years. Additionally, many of Bethesda Green’s recent applicants involve food production – not green technologies, products, or climate change solutions, which points to an insufficiently resourced network for small food and beverage manufacturing, including consumer packaged goods. . Meanwhile, there are hundreds of businesses applying for SBIR funds each year, which show that there is meaningful entrepreneurial activity in the community.

MCEDC recognizes the following barriers for entrepreneurship to address:

- Exclusive or inaccessible networks
- Insufficient product development training
- Unsupportive culture (lack of B2B and interactions with anchor institutions)
- Inadequate talent pipeline (including management)

MCEDC is committed to creating a strategy that will meaningfully strengthen and encourage entrepreneurship. Our goal is for all Montgomery County residents to have the same access to the resources and networks necessary to create and grow their businesses.

Our entrepreneurial work will build on the inclusive principles of the Kauffman Foundation – America’s New Business Plan:

- OPPORTUNITY - A Level Playing Field and Less Red Tape
- FUNDING - Equal Access to the Right Kind of Capital Everywhere
- KNOWLEDGE - The Know-How to Start a Business
- SUPPORT - The Ability for All to Take Risks

c. What are the short-term action items (execution requires less than 12 months) that MCEDC will execute to foster additional business formation in the County?

MCEDC seeks to support an inclusive economy by working with partners to source funding for diverse entrepreneurs, implement targeted outreach using varied media channels to reach diverse

audiences, and align partners to provide access to resources that accelerate new business formation within Montgomery County.

MCEDC partners in this effort would include the MoCo Made initiative, CONNECTpreneur, and the Maryland Tech Council's Venture Mentoring Service, among others. These organizations use a continuum of strategies—from large pitch events and networking breakfasts to tailored mentoring and one-on-one business plan creation—to help new businesses scale. Collectively, these programs reach hundreds of local entrepreneurs each year.

d. What are the long-term action items (execution requires 24-36 months) that MCEDC will execute to foster additional business formation in the County?

- Bolstering the tech talent pipeline/workforce;
- Strengthening an anemic investment community;
- Harnessing the power of immigrant entrepreneurs;
- Deepening the C-Suite bench to grow nascent product businesses;
- Promoting economic inclusion and economic mobility;
- Changing the business perception/narrative/messaging;
- Facilitating B2B relationships; and
- Advocating for placemaking and quality of life investments.

e. What are action items that the Council/County should consider to foster business formation in the County?

MCEDC can further discuss with the Council helpful strategies as:

- Realign incentives and public investments to support entrepreneurship (or the conditions necessary for entrepreneurship);
- Provide investments in capital-intensive equipment (like prototype facilities, commercial kitchens, etc.) that can harness the entrepreneurial spirit;
- Advocate for an inclusive economy;
- Apply private sector innovation to environmental and social challenges;
- Seek industry-led solutions without being overly prescriptive or regulatory; and
- Encourage demonstration projects and pilots to address complex challenges through private sector delivery.

f. How will MCEDC measure success in generating additional business formation in the County?

Work that MCEDC and its partners do now to strengthen networks and the entrepreneurial culture to generate future business formation may not be directly measurable for many years, but these efforts will have an impact. For example, similar work in cities like Nashville and Pittsburgh took more than two decades to come to fruition.

As this work is being done locally, certain indicators can be tracked over time. This compilation of indicators could include net new business formation, venture capital investments, SBIR/STTR awards and applications, wealth gap reduction, self-employment rate, industry employment (entrepreneurship is higher when industry employment is lower), human capital availability, labor costs and office costs.

4) **Regarding industry engagement:**

a. **Which are the three or four top industries that the County/MCEDC should cultivate/grow in the County?**

MCEDC is focusing on growing and providing a specific economic recovery focus on the following industry sectors: Life sciences, technology (cyber, IT, AI, and quantum), and hospitality/lodging/REITS.

It is interesting to note that the largest industries in Montgomery County in terms of jobs and establishments are not the same as the target industries that were first identified by Montgomery County's "A Plan for Economic Prosperity" in 2016, which was in some ways the foundational data source for MCEDC. See the following charts below for more information:

Largest Industries by Job Count (2019 Q4)	NAICS Code	Jobs	Average Jobs per Establishment
Health Care and Social Assistance	62	70,228	18.2
Professional, Scientific, and Technical Services (white collar services)	54	69,796	10.9
Public Administration (local and federal government)	92	53,687	624.3
Retail Trade	44-45	44,093	17.3
Educational Services	61	40,507	46.2

These are some of the top targeted industries at MCEDC.

Industry	Location Quotient for Industry (2020 Q1)	Number and Percent of Total MoCo Jobs (2020 Q1)	Notes
BioHealth/Life Sciences	5.47 (R&D) / 4.81 (Pharma)	17,854 3.8%	Montgomery and neighbors recognized by several sources as #4 BioHealth region nationally, over \$1.5 billion in VC in MoCo biohealth companies since 2015

Cyber, High Tech, and Tech-Enabled Services	Varies across 10+ NAICS codes	43,110 9.0%	Proximity to Howard and Dulles Corridor good for cyber; other tech-enabled service companies across industries benefit from talent and key industries (e.g., biohealth for health tech; hospitality for hospitality tech)
REITS/Financial Services	0.88 (NAICS 52 overall, subsectors including REITS higher)	17,577 3.7%	Large cluster of Real Estate Investment Trusts (REITs); number of jobs post-recession shrinks despite stable establishment numbers
Corporate/Regional HQ, including Hospitality HQ	0.96	7,801 1.6%	Includes HQ operations like Marriott, Sodexo, and HMS Host

b. How were these industries identified?

The targeted industry sectors are those that align with the assets and workforce of Montgomery County. The pandemic crisis and resulting economic impact will require Montgomery County to nurture these industries in order to maintain our competitiveness and leading edge in these targeted sectors.

c. What is MCEDC's strategy to grow these industry sectors in the County?

MCEDC undertakes a collaborative organizational approach. We have aligned our target industries with our strategic plan. To ensure accountability and forward progress, we have assigned these target industries to members of our business development team.

We have then worked to identify the Strategic Areas of Focus within each of these industries. These Strategic Areas of Focus have density within the County and/or compelling strategic reasons to locate in Montgomery County. We then work to craft compelling "value propositions" as to why businesses should be here (whether retention or attraction). The Marketing team highlights these propositions on a variety of platforms, including our own media (website, newsletter and social media), earned media (press releases, pitched stories, social shares), paid media (boosted social, ads) and presentations/collateral for the Business Development team to use at conferences and in meetings.

The Business Development team is then responsible for identifying companies around the world (or more regional or national locations where appropriate) which match these Strategic Areas of Focus, reaching out to them, engaging with them, delivering our value propositions and either getting them here/keeping them here or helping us learn how to adapt. This then creates a feedback loop, which when properly managed, helps to improve our tools/outreach/value propositions.

d. What are the short-term action items (execution requires less than 12 months) that MCEDC will execute to grow these identified industries?

Please see above. Additionally, within this current pandemic we have created new opportunities to grow the economy in Montgomery County. For example, we have utilized the Bio Innovation Conference to bring >100 attendees from outside of the United States to partner with MCEDC

and Montgomery County companies, re-started the Post-Doc meetings to support their continued local presence, and conducted webinars regarding why foreign companies should utilize Montgomery County as their national or international headquarters.

MCEDC is also engaged with outreach to university technology transfer offices and outreach to growth-stage businesses regarding tech needs. Some technology transfer metrics include: interview fifteen tech transfer offices about interests, process, and tools, interview twenty county businesses about long-term tech needs, attend Montgomery County networking events to build a pipeline of entrepreneurs and companies that express interest in working with federal labs, and meet with regional tech transfer offices. Other tech transfer metrics include: determine commercial needs and available Intellectual Property (IP), build relationships, and work to communicate the assets of the federal labs, as well as to keep updated on federal lab announcements for CRADA's and engagement with targeted research sectors.

e. What are the long-term action items (execution requires 24-36 months) that MCEDC will execute to grow these identified industries?

Many of the actions identified above contain both short and long-term actions. These are designed to build a pipeline of opportunities which stretch from immediate to years down the road. Many of these opportunities will require us to develop awareness of Montgomery County and its assets within the minds of our target audience(s) well before they begin the decision-making process. This is critical for our opportunities to become proactive rather than reactive. Additionally, we are working to better collate the resources which are available to our businesses/entrepreneurs so we can match them more effectively with resources which are both appropriate and beneficial for them.

f. What County assets will MCEDC promote/market to attract/retain businesses in these industries?

Our collateral and other marketing materials highlight the power of our federal presence (18 federal agency HQs in Montgomery County), our talent (highly educated workforce and high numbers of STEM workers), our venture capital progress, our location next to nation's capital, and the county's many lifestyle quality assets, from our diverse community to broad access to parks and cultural amenities.

g. What assets should the Council/County focus on developing, if not currently available, to attract/retain businesses in these industries?

The County does not currently have strategic efforts related to workforce development, talent pipeline, and sector strategies. MCEDC needs to form a synergistic relationship with the workforce development entities in Montgomery County, especially WorkSource Montgomery. This need has been severely hampered by the current organizational uncertainties affecting WorkSource Montgomery. As a result, the opportunity to grow the workforce in identified industries, create sector strategies for growth, and cultivate an enduring talent pipeline are restricted. Entrepreneurship training and support are lacking within the County, and those resources which are here tend to be limited/inadequate. To be successful, entrepreneurs need training on how to develop successful/fundable businesses (business plan, infrastructure, strategy) and then partners who can help them raise funding once ready (such as the VMS program).

h. How much staff time (in terms of annual FTEs) will be devoted, individually, to each of the industries listed above?

The seven members of the Business Development team are focused on supporting industry sector growth.

Industry	Strategic Areas of Focus
Life Sciences	Cell Therapy Gene Therapy Vaccines Biologics International (US Operations for International Companies) MedTech
Non-Profits, Defense	Non-Profits Non-Profit Tech Defense
Technology	Cybersecurity Software Companies HealthTech FinTech
Inclusion, Diversity, Small Business	

Business development performance metrics also include engaging with 40 diverse or diversely run businesses to create revenue generating opportunities, supply chain initiatives, and/or networking (or other) opportunities for their growth and development. Additionally, staff engages appropriate businesses participate in leadership positions with MCEDC led or partnered activities requiring the involvement of private sector businesses (i.e. the Montgomery County Business Roundtable).

i. How will MCEDC measure success in growing these industries?

As stated prior, MCEDC intends to continue sharing and publishing information about the following economic indicators:

- Net new establishments (Quarterly);
- Office vacancy rate (Quarterly);
- Total employment (Quarterly);
- Unemployment rate gap (Annual – national level, census data not BLS);
- Average wage (Sector information available annually);
- Median home price to household income ratio (Calculated at one specific time each year – not an average);
- Venture Capital investments in county businesses (Constant updates through Pitchbook); and
- Percentage of State's GDP.

In addition, as part of its County contract, MCEDC regularly reports on the following:

- Number of new jobs created, and number of existing jobs retained through MCEDC efforts;
- Number of new business relocations and existing business expansions accomplished through MCEDC efforts;
- Amount of new capital investment created or facilitated through MCEDC efforts;
- The amount of net new commercial space occupied through MCEDC efforts;
- Number of new business establishments by industry through MCEDC efforts;

- Breakdown of business assistance requests by industry, geography, and company size, in addition to the type of assistance provided; and
- Guidance to the County Executive concerning any policies which would facilitate economic development growth and retention efforts based on learnings from business engagements referenced above.

5) Regarding financial capital and minority outreach:

a. Financial capital will be critical to new business formation, particularly during and following the pandemic. Can you please describe what kinds of activities in regard to connecting new businesses with various forms of capital – loans, VCs, angel investing, etc. – EDC will be taking on in the years ahead?

Recently, MCEDC published the Business Resource Guide, in English and Spanish, to help local businesses understand tools and resource available to them which will better allow them to succeed here in Montgomery County. We are also continuing to update this resource guide with new information, with our current focus on identifying resources unique to minority businesses and additionally our focus industries. We continue, collectively, to expand our network of financial resources and support local programs which enable our entrepreneurs to gain funding – such as the Venture Mentoring Service partnership with the Maryland Tech Council, CONNECTPreneur, and specific life sciences support through BioHealth Innovation, among others. Additionally, we applied to become a Maryland Video Lottery Terminal (VLT) Loan fund manager to additionally improve access to funding for small, minority and women-owned businesses.

We are concentrating access to capital resources under one program led by our Executive Vice President & COO who will create an umbrella resource center comprised of external business partners who provide financial services of all types (bank loans, advisory services, private equity, etc). MCEDC will have active engagement with these select groups of companies to provide a pipeline of financial products to businesses MCEDC interacts with.

b. What services does EDC envision providing to local business owners who come from our minority and under-served populations?

Supporting an inclusive economy that benefits all segments of Montgomery County's population is a MCEDC priority. Staff have been tasked with identifying local, state and federal business/entrepreneurial resources to allow minority businesses to launch/expand business opportunities. Minority businesses shall at least include: minorities, women, veterans, and the disabled. These include, but are not limited to, hiring, training and capital (fund sources (equity and debt), pitch preparation / competitions, mentoring).

Partnering with minority business organizations we will continue to identify the gaps/opportunities which are unique to underserved communities and facilitate the training, resource pipeline and other services to eliminate gaps. Examples include facilitating a stronger business to business supply chain pipeline, accbetter access to business networks in which MCEDC is involved with, and ensuring more inclusive project participation among underserved business sectors with MCEDC.

The MCEDC Business Resource Guide will also be updated to include additional information to support minority-owned businesses. If approved to be a Maryland VLT Loan Program fund manager, MCEDC will be able to help address critical access to capital needs for small, women, and minority owned businesses.

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: Designation of the Montgomery County Economic Development Corporation as the County's Economic Development Corporation under Chapter 15A

Background

1. The future success of Montgomery County will depend on a vibrant and growing economy. Successful businesses will create this vibrant and growing economy. Business success will depend, in part, on Montgomery County fostering a supportive environment.
2. On June 30, 2015, the County Council enacted Bill 25-15, *Economic Development – Reorganization – Montgomery County Economic Development Corporation*. Bill 25-15 privatized certain economic development functions to enable the County to foster a supportive environment for business success.
3. Chapter 15A, Article I of the County Code authorizes the County Government to designate a nonprofit corporation as the County's economic development corporation. The designation is made by Council resolution. The Executive must approve the resolution, but the Council may readopt the resolution with six affirmative votes if the Executive disapproves it.
4. To be the County's Economic Development Corporation, a nonprofit corporation must meet all the requirements and criteria established in Chapter 15A, Article I of the County Code.
5. On March 15, 2016, the Council adopted resolution 18-425 designating the Montgomery County Economic Development Corporation as the County's Economic Development Corporation through January 1, 2021. The Executive approved resolution 18-425 on March 23, 2016.
6. The Planning, Housing, and Economic Development Committee met with the Montgomery County Economic Development Corporation on November 16, 2020 to review its qualifications, per Chapter 15A, Article I of the County Code, and its strategic plan to aid business success in the County.

Action

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

Montgomery County Economic Development Corporation is designated as Montgomery County's Economic Development Corporation. This designation is effective January 1, 2021. To continue to qualify, the corporation's articles of incorporation and bylaws must comply with the requirements of Chapter 15A, Article I of the County Code. The designation expires on January 1, 2026 or at an earlier date if the designation is suspended or revoked by Council resolution.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council

Approved

Marc Elrich, County Executive

Date