



Committee: PHED
Committee Review: At a future date
Staff: Gene Smith, Legislative Analyst
Purpose: To receive testimony – no vote expected
Keywords: Economic Development, Conference Center

AGENDA ITEM #5
July 21, 2020
Public Hearing

SUBJECT

Special appropriation to the County Government's FY21 Operating Budget, Conference Center Non-Departmental Account, \$1,500,000

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

The Executive requests this special appropriation to support operating expenses of the Montgomery County Conference Center in the event its revenues are insufficient to cover operating expenses in 2020. The County owns the property jointly with the State, and the management agreement with Marriott requires that the County cover operating losses in an event the property does not generate a profit. This will be the first time since the Conference Center's opening that the County may need to cover operating losses for the property.

SUMMARY OF KEY DISCUSSION POINTS

- Since its opening in 2004, the County has received a profit from the center's operations. Most years the profit is in the range of \$1.4 million to \$1.9 million per the Executive's transmittal.
- The County will only disburse funding to the Conference Center on a monthly or quarterly basis if an operating loss is incurred by the center's operations.
- The Planning, Housing, and Economic Development Committee is tentatively scheduled to review this item on July 27, 2020. Action is tentatively scheduled for July 28, 2020.

This report contains:

Executive transmittal
Proposed resolution

© #1-2
© #3-4

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OFFICES OF THE COUNTY EXECUTIVE


Marc Elrich
County Executive

Andrew Kleine
Chief Administrative Officer

MEMORANDUM

July 1, 2020

TO: Sidney Katz, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Special Appropriation #21-473 to the FY21 Operating Budget
Montgomery County Government
Office of the County Executive, Business Advancement Team
Montgomery County Conference Center Non-Departmental Account, \$1,500,000

I am recommending a special appropriation to the Fiscal Year 2021 Operating Budget of the Conference Center Non-Department Account, administered by the Business Advancement Team in the Office of the County Executive, in the amount of \$1,500,000 to support operational needs of the Montgomery County Conference Center. These funds will provide for nominal essential operating expenses for the Conference Center until it can re-open, return to profitability, and resume contributing its net profits back to the County's general fund.

The Conference Center was jointly financed, developed, and is owned by the County and the State of Maryland. The State's ownership interest in the facility will revert to the County when its debt is retired; however, its operating costs and profits have always rested with the County. The Conference Center is managed on behalf of Montgomery County by Marriott Hotel Services Inc., pursuant to a Management Agreement. Since opening in 2004, the Montgomery County Conference Center has always generated an annual profit, funds that have flowed into the General Fund. Historically, the Conference Center has earned an annual profit for Montgomery County of \$1.4 million - \$1.9 million.

Due to the COVID19 pandemic, the Conference Center has been closed (along with the adjoining hotel) and unable to generate revenue. Currently all meetings in the facility have been cancelled through August. During this time, Conference Center operating expenses have been and are being paid from its Reserve Fund which is projected to last through July 31, 2020.

The \$1.5 million Special Appropriation will provide for an infusion of working capital to cover minimal expenses for a continued worst-case scenario through the end of the calendar year. Currently, the Conference Center is projected to return to normalcy in October, assuming the events currently on the books for September and October are not cancelled. The \$1.5 million will be disbursed to Marriott for Conference Center operations on a monthly or quarterly basis, as needed, until normal operations return. It is important to note that these funds will be repaid to the County through monthly operating revenues when ultimately earned. Both the provision of operating funds and the repayment of these funds are incorporated in the existing Management Agreement.

Conference Center expenses have been curtailed to a bare minimum and staff has been significantly reduced. All non-essential operating expenses have also been suspended.

The current closure of the Conference Center/Hotel and its resulting cash-flow needs is not unique. Thirteen of fifty-four hotel properties in the County are currently closed. The Conference Center, being a site for large group gathering at a time when group size is limited, is being particularly negatively impacted. The federal government's moratorium on travel and meetings is also affecting the facility.

As the largest meeting facility in our community, the Montgomery County Conference Center serves our business community and hosts many groups from outside the County. It is an essential component of our tourism program and events (meetings) industry. We are confident its profitability will resume as the local and national economic condition improves. The Special Appropriation requested is critical to the maintenance and preservation of this highly successful County asset that provides revenue to the County, supports the local and visiting business community, supports the federal meeting and travel industry and is a valuable economic development tool.

I recommend that the County Council approve this special appropriation in the amount of \$1,500,000 and specify the source of funds as General Fund Undesignated Reserves. This special appropriation will reduce County General Government Fund Reserves by \$1,500,000 and is consistent with the fund balance policy for tax supported reserves. These funds were assumed in my March transmittal of the FY21 budget.

I appreciate your prompt consideration of this action.

ME:rs

Attachment: Special Appropriation #21-473

c: Tina Benjamin, Director, Business Advancement Team
Richard S. Madaleno, Director, Office of Management and Budget
Lisa Mandel-Trupp, Chief of Staff, Council President's Office

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Special Appropriation #21-473 to the FY21 Operating Budget
Montgomery County Government
Office of the County Executive, Business Advancement Team
Montgomery County Conference Center Non-Departmental Account, \$1,500,000

Background

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

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$1,500,000	\$0	\$1,500,000	General Fund Undesignated Reserves

3. The special appropriation is needed to fund essential costs of the Conference Center until it can reopen. It has been closed due to the COVID19 pandemic and has no revenue due to the cancellation of events through August 2020. The Conference Center currently only has sufficient cash on hand to cover expenses through July 31, 2020.
4. The County Executive has requested a special appropriation to the FY21 Operating Budget in the amount of \$1,500,000 for the Conference Center Non-Departmental Account, administered by the Business Advancement Team in the Office of the County Executive. The source of funds will be the General Fund Undesignated Reserves.
5. The public was notified by a news release.

Action

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

1. A special appropriation to the FY21 Operating Budget of the Conference Center Non-Departmental Account is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$1,500,000	\$0	\$1,500,000	General Fund Undesignated Reserves

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

This is a correct copy of Council action.

Selena Mendy Singletary, Esq.
Clerk of the Council