



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

May 2, 2019

MEMORANDUM

TO: Dannielle M. Glaros, Chair
 Planning, Housing and Economic Development (PHED) Committee

THRU: David H. Van Dyke, County Auditor *DHV*

FROM: Jisun Ahn, Staff Auditor *JA*

RE: Economic Development Corporation - Fiscal Year 2020 Budget Review
 (Non-Departmental Grants & Transfer Payments)

Budget Overview

The Economic Development Corporation (EDC) is partially funded through an annual County grant in the Non-Departmental section of the budget. The EDC's Proposed FY 2020 Budget reflects County grant funding in the amount of \$3,915,700, an increase of \$472,600, or 13.7%, above the FY 2019 County approved funding level.

Approved Fiscal Year 2019 to Proposed Fiscal Year 2020

Category	FY 2018 Actual	FY 2019 Approved	FY 2019 Estimated	FY 2020 Proposed	Change Amount	Percentage Change
Prince George's County Grant	\$ 3,457,600	\$ 3,443,100	\$ 3,443,100	\$ 3,915,700	\$ 472,600	13.7%

Budget Comparison - Consolidated Budget

FY 2020 proposed revenues for the Economic Development Corporation total approximately \$4,414,300, an increase of \$444,200, or 11.2%, above the FY 2019 Approved Budget. The increase is mainly attributed to an increase in County funding.

Approved Fiscal Year 2019 to Proposed Fiscal Year 2020

Category	FY 2018 Actual	FY 2019 Approved	FY 2019 Estimated	FY 2020 Proposed	Change Amount	Percentage Change
<u>REVENUES</u>						
County Grant	\$ 3,457,600	\$ 3,443,100	\$ 3,443,100	\$ 3,915,700	\$ 472,600	13.7%
Enterprise Zone Grant	65,000	65,000	65,000	65,000	-	0.0%
EDI Fund Processing Fees	23,480	10,000	10,000	16,300	6,300	63.0%
Event/Sponsorship Revenue	129,314	275,000	275,000	150,000	(125,000)	(45.5)%
Small Business Services Revenue	-	1,000	1,000	1,000	-	0.0%
Fundraising Revenue	62,025	75,000	75,000	66,300	(8,700)	(11.6)%
Incubator Revenue	50,000	100,000	100,000	75,000	(25,000)	(25.0)%
Miscellaneous Income	48,273	1,000	1,000	125,000	124,000	12400.0%
Total Revenues	\$ 3,835,692	\$ 3,970,100	\$ 3,970,100	\$ 4,414,300	\$ 444,200	11.2%
<u>EXPENDITURES</u>						
Salaries & Wages	\$ 2,317,374	\$ 2,056,600	\$ 2,039,600	\$ 2,210,400	\$ 153,800	7.5%
Fringe Benefits	627,593	740,400	734,300	795,800	55,400	7.5%
Operating						
Professional Services	258,923	70,360	70,400	71,700	1,340	1.9%
Facilities Expenses	225,794	149,400	149,400	277,000	127,600	85.4%
Outreach/Conference	541,722	826,600	828,600	683,000	(143,600)	(17.4)%
Staff & Board Expenses	75,296	114,740	121,500	117,400	2,660	2.3%
Other Operating Expenses	39,945	12,000	26,300	259,000	247,000	2058.3%
Sub-Total	\$ 1,141,680	\$ 1,173,100	\$ 1,196,200	\$ 1,408,100	\$ 235,000	20.0%
Total Expenditures	\$ 4,086,647	\$ 3,970,100	\$ 3,970,100	\$ 4,414,300	\$ 444,200	11.2%

Authorized Staffing Count - County Funded Positions

	FY 2019 Approved	FY 2020 Proposed	Change Amount	Percentage Change
Full-Time	24	25	1	4.2%
Part-Time	0	0	0	0.0%
Total	24	25	1	4.2%

Staffing Changes and Compensation

- FY 2020 compensation is proposed at \$2,210,400, which is an increase of \$153,800, or 7.5%, above the FY 2019 Approved Budget level. The FY 2020 compensation costs includes a 2% cost-of-living adjustment and a 3.5% merit increase for all eligible employees. Employee merit increases will be made based upon each employee’s overall score using EDC’s Performance Pro Appraisal System.
- There are 25 full-time positions funded in the Proposed FY 2020 Budget, an increase of one (1) position compared to the FY 2019 staffing level. The new position is the Director of Business Development for Revitalization who will focus on the revitalization of targeted underserved communities.

Fringe Benefits

- In FY 2020, fringe benefit expenditures total \$795,800, an increase of \$55,400, or 7.5%, above the FY 2019 Approved Budget level due to aligning these costs with the anticipated compensation level and the addition of a new position.

Operating

- In FY 2020, operating expenditures are proposed at \$1,408,100 and comprise the following major items:
 - Outreach/Conference \$ 683,000
 - Facilities Expenses 277,000
 - Other Operating Expenses 259,000
- Overall, operating expenditures are increasing by \$235,000, or 20.0%, over the FY 2019 Approved Budget level. The proposed increase is largely attributed to the increases in the following categories:
 - Facilities Expenses for insurance, equipment maintenance, and funding for license for the Innovation Station;
 - Other Operating Expenses for a one-time pass-through funding to support Good Foods and Food Dessert initiatives.

Highlights

EDC Mission and Core Services

The EDC's mission is to market and promote the County to businesses and provide services that support business development, high-wage job creation, and expansion of Prince George's County's commercial tax base.

The EDC's core services are as follows:

- Market and promote the County as a superior regional and global business location, provide business intelligence and assist with site selection;
- Provide business services, technical assistance, financing, networking and partnering opportunities;
- Organize international seminars/networking events, and business missions; and
- Nurture start-ups and international firms in the "Innovation Station."

FY 2019 Key Accomplishments

- The EDC assisted twenty-one (21) businesses in relocating and/or expanding operations to create new jobs in the County. Businesses include: Kaiser Permanente, Children's National MC, EBA Engineering, Worldshine Adult Care, Beltsville Land, FTI Consulting, Kenseal, Bless-a-Rider, ATR Corporation, Lionel Henderson, Starbucks, Olive Garden, Ulta and Mass Mutual.
- The EDC's newly expanded "Innovation Station" attracted twelve (12) new companies, including some international businesses acquired through SelectUSA.

Technology Assistance Center (TAC) Accelerator (formally known as "Incubator") Program

The Prince George's County TAC Accelerator program was established to foster the creation and growth of early-stage technology companies in Prince George's County. The program promotes economic development by fostering the successful growth of its incubator companies through the provision of affordable facilities and a broad range of business and technical services. The TAC encourages and supports high-growth potential technology companies, with a preference for those developing proprietary products and services. The program was rebranded in FY 2017 into an "Accelerator" program, to be called "Innovation Station" for businesses to remain in the program for 6 months before being encouraged to leave the program. TAC centers are located at EDC and the Bowie Innovation Center. In FY 2019, there are currently nineteen (19) companies in the program (fourteen (14) occupying space, and five (5) virtual tenants), with six (6) companies in the pipeline awaiting entry into the program. Within the last two years, the program has had four (4) companies graduate and two (2) removed from the program. *For more details on the actual companies, industries, and year of entry into the program, refer to FY 2020 Second Round Responses Attachment 2.*

Branding Campaign

In FY 2020, LMD Agency will continue providing service for EDC's branding campaign. The launching of the campaign (Phase 2) began on January 17, 2018, with the following initiatives:

- Radio campaign (scheduled to run on three stations for a total of four weeks) to promote the business climate and successes of the County at a cost of \$24,867;
- Digital Advertising campaign in the Washington Business Journal online to run for one month at a cost of \$4,212;
- A plan development and redesign of EDC's website at a cost of \$50,000 once completed;
- Targeted Geo-fencing marketing campaigns at a cost of \$8,000 for each campaign.

EDC reports the following critical issues:

- Slowdown of the national economy;
- Retail industry undergoing fundamental changes; and
- Overall competitiveness of Maryland vs. Virginia.

Economic Development Incentive (EDI) Fund Overview

The Economic Development Incentive Fund was established in FY 2012 to provide financial assistance in the form of loans, guarantees, and grants to benefit existing and potential industrial and commercial businesses in the County. The primary goal of the fund is to create and retain jobs, broaden the local tax base, promote economic development opportunities, and assist in the retention of existing businesses and the attraction of new businesses. Some of the results of the fund's operations are as follows:

- To date, 450 businesses have inquired about the program, which has led to 13 actual loan applications;
- In total, \$33.6 million in EDI Funding loans have closed, 18 conditional and 16 non-conditional.
- *Refer to the Financial Services Corporation (FSC) report for more details on the EDI loan activity.*