

Economic Development Corporation (EDC) - Fiscal Year 2021 Budget Review Summary

Proposed FY 2021 Operating Budget

Revenue							
Fund	FY 2020 Approved	FY 2020 Estimated	FY 2021 Proposed	4/20/2020 CEX Adjustment	FY 2021 Revised Proposed	\$ Change	% Change
County Grant	\$ 3,915,700	\$ 3,915,700	\$ 4,065,600	\$ (67,900)	\$ 3,997,700	\$ 82,000	2.1%
Other Sources	498,600	498,600	499,600	-	499,600	1,000	0.2%
Total	\$ 4,414,300	\$ 4,414,300	\$ 4,565,200	\$ (67,900)	\$ 4,497,300	\$ 83,000	1.9%

FY 2021 Proposed Budget – Key Highlights

- In FY 2021, compensation is proposed at \$2,321,499. This represents an increase of \$111,000 or 5.0% above the FY 2020 approved level. FY 2021 proposed compensation increase is due to mandatory salary requirements.
- The FY 2021 proposed budget includes funding for twenty-four (24) full-time positions. This reflects a decrease of one (1) staff position, International Business Manager. The salary funding for this position was re-allocated to provide staff salary increases and make compensation more competitive with similar positions in the region.
- Staffing changes not part of the original FY2020 submission to the County included: Marketing Assistant position changed to Graphic Designer with a \$20,000 increase in salary; Marketing Director position was changed to a Marketing Manager with \$20,000 decrease in salary; and the Communications Director position was changed to the Vice President of Policy and Public Relations
- FY 2021 total operating expenses are remaining consistent with the approved FY 2020.
- Other sources of revenue supplementing Economic Development Corporation’s proposed FY 2021 include event/sponsorship, incubator, and fundraising revenue, an Enterprise Zone grant, and EDI Fund processing fees.

EDCs FY 2021 priorities include:

- Primary focus on business retention and growth of existing companies in targeted industry sectors that lead to job creation and expansion of commercial and small businesses.
- Promote initiatives, programs, resources, and incentives that will encourage economic development in Prince George’s County.
- Attract upscale and new concept restaurants and retail, revitalize older shopping centers and eliminate food deserts.
- Develop and expand marketing campaigns to promote Prince George’s County’s business climate, success stories, and lifestyle

County Executive’s Recommended Adjustments

- Reduce County Grant (\$67,900).

Category	FY 2020 Approved	FY 2020 Estimated	FY 2021 Proposed	FY 2021 Revised Proposed
Compensation	\$ 2,210,400	\$ 2,210,400	\$ 2,321,400	2,321,400
Fringe Benefits	795,800	795,800	835,700	835,700
Operating Expenses	1,408,100	1,382,900	1,408,100	1,408,100
Reduction per CEX adjustment	-	-	-	(67,900)
Total	\$ 4,414,300	\$ 4,389,100	\$ 4,565,200	\$ 4,497,300



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

May 4, 2020

MEMORANDUM

TO: Todd M. Turner, Chair
 Committee of the Whole (COW)

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

FROM: Warren E. Burris, Senior Budget & Policy Legislative Analyst *WEB*

RE: Economic Development Corporation - Fiscal Year 2021 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 2021 Budget reflects County grant funding in the amount of \$4,065,600, an increase of \$149,900, or 3.8%, above the FY 2020 County approved funding level.

Category	Actual	Approved	Estimated	Proposed	Amount	Change
Prince George's County Grant	\$ 3,443,100	\$ 3,915,700	\$ 3,915,700	\$ 4,065,600	\$ 149,900	3.8%

Budget Comparison - Consolidated Budget

FY 2021 proposed revenues for the Economic Development Corporation total approximately \$4,565,200, an increase of \$150,900, or 3.4%, above the FY 2020 Approved Budget. The increase is mainly attributed to an increase in County funding.

Approved Fiscal Year 2020 to Proposed Fiscal Year 2021

Category	FY 2019 Actual	FY 2020 Approved	FY 2020 Estimated	FY 2021 Proposed	Change Amount	Percentage Change
<u>REVENUES</u>						
County Grant	\$ 3,443,100	\$ 3,915,700	\$ 3,915,700	\$ 4,065,600	\$ 149,900	3.8%
Enterprise Zone Grant	65,000	65,000	65,000	65,000	-	0.0%
EDI Fund Processing Fees	15,120	16,300	16,300	16,300	-	0.0%
Event/Sponsorship Revenue	136,960	150,000	150,000	150,000	-	0.0%
Small Business Services Revenue	-	1,000	1,000	2,000	1,000	100.0%
Fundraising Revenue	65,544	66,300	66,300	66,300	-	0.0%
Incubator Revenue	70,520	75,000	75,000	75,000	-	0.0%
Miscellaneous Income	91,891	125,000	125,000	125,000	-	0.0%
Total Revenues	\$ 3,888,135	\$ 4,414,300	\$ 4,414,300	\$ 4,565,200	\$ 150,900	3.4%
<u>EXPENDITURES</u>						
Salaries & Wages	\$ 1,537,535	\$ 2,210,400	\$ 2,210,400	\$ 2,321,400	\$ 111,000	5.0%
Fringe Benefits	866,133	795,800	795,800	835,700	39,900	5.0%
Operating						
Professional Services	218,944	71,700	61,300	203,700	132,000	184.1%
Facilities Expenses	539,409	277,000	272,000	272,000	(5,000)	(1.8)%
Outreach/Conference	484,094	683,000	693,200	713,000	30,000	4.4%
Staff & Board Expenses	73,533	117,400	97,400	110,400	(7,000)	(6.0)%
Other Operating Expenses	161,724	259,000	259,000	109,000	(150,000)	(57.9)%
Sub-Total	\$ 1,477,704	\$ 1,408,100	\$ 1,382,900	\$ 1,408,100	\$ -	0.0%
Total Expenditures	\$ 3,881,372	\$ 4,414,300	\$ 4,389,100	\$ 4,565,200	\$ 150,900	3.4%

Authorized Staffing Count - County Funded Positions

	FY 2020 Approved	FY 2021 Proposed	Change Amount	Percentage Change
Full-Time	25	24	-1	-4.0%
Part-Time	0	0	0	0.0%
Total	25	24	-1	-4.0%

Staffing Changes and Compensation

- FY 2021 compensation is proposed at \$2,321,400, which is an increase of \$111,000, or 5.0%, above the FY 2020 Approved Budget level. The FY 2021 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 24 full-time positions funded in the Proposed FY 2021, which represents a reduction from the previous fiscal year. In addition, beginning FY2020, EDC staff (except President) received an additional \$3,000 annual salary increase in order to increase the competitiveness of the EDC staff salaries. This was achieved by eliminating the second international staff position that had been vacant for over six months.
- As noted in bullet above, one position has been eliminated to provide more competitive salaries for EDC staff. The position that was eliminated was the International Business Development Specialist.
- Staff changes made in FY2020 not part of the original FY2020 submission to the County included:
 - Marketing Assistant position changed to Graphic Designer with a \$20,000 increase in salary
 - The Marketing Director position was changed to a Marketing Manager with \$20,000 decrease in salary.
 - The Communications Director position was changed to the Vice President of Policy and Public Relations

Fringe Benefits

- In FY 2021 Proposed Budget, the fringe benefit expenditures total \$835,700, an increase of \$39,900, or 5.0%, above the FY 2020 Approved Budget level due to aligning these costs with the anticipated compensation level and the approved adjustments.

Operating

- In FY 2021 Proposed Budget, operating expenditures is consistent with the FY2020 budget of \$1,408,100 and is comprised of the following major items:
 - Outreach/Conference \$ 713,000
 - Facilities Expenses 272,000

➤ Professional Services 203,700

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:

- Promote economic development by providing business service to attract, retain, and expand businesses in the County
- Market and promote the County as the best place to do business.
- Provide business services to address a wide range of needs for start-up, small and maturing companies.
- Promote international business development through export, assistance, foreign direct investment (FDI), and international business attraction.
- Attract and promote revitalization, repurposing and development of shopping centers and attraction of retail and restaurant establishments.

FY 2020 Key Accomplishments

- Addition of Urban Atlantic New Carrollton, a state-of-the-art facility to approximately 1,000 administrative employees and future home of WMATA Maryland headquarters for 1,500 employees and multi-family units.
- Continued implementation of the Retail Strategy with 10 new grocery stores opening and/or under construction.
- 40 Business brands/entities have been associated with the Innovation Station this fiscal year, to include 11 companies joining from the local business startup ecosystem, other Maryland jurisdictions, and 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, 490 businesses have inquired about the program, which has led to 3 actual loan applications in FY2020.
- The leverage of private equity capital to the EDI Fund has been nearly 27-to-1, resulting in an increase in the commercial tax by \$112 million, which has resulted \$1.5 million more in taxes collected annually.
- In FY2020, EDC anticipates 50 Business leads through Marketing and Outreach that EDC expects to translate into 8 EDI Fund applications for FSC First to process.

- In FY2020, EDC anticipates through Marketing and Outreach that EDC expects to send 30 non-EDI Fund applications to FSC First to process.

Areas of Concern/Most critical Concerns Facing EDC in FY2021-2023

- Achieving aspiration targets of private donorship, sponsorships and fundraising.
- Lack of support from Maryland Department of Commerce in providing prospects and attracting large national companies to the County.
- Sales, lease and rent disparity in Prince George's County as compared to neighboring jurisdictions creates continual demand for incentives and subsidies for commercial, residential and retail development.

Proposed Maryland General Assembly Legislation or State budget changes that may have significant impact EDC resources and provide challenge in accomplishing its goal:

- House Bill 223 and 565 - proposes to repeal a wide array of State and Local economic development incentives and tools, including the Enterprise Zone.
- House Bill 45 - proposes modification to Research and Development Tax Credit and the More Jobs for Marylanders
- Senate Bill 583 – establishes Maryland Small Business Innovative Research Technical Assistance Program.

EDC's FY 2021 Key Priorities include:

- Primary focus on business retention and growth of existing companies in targeted industry sectors that lead to job creation and expansion of commercial and small businesses.
- Promote initiatives, programs, resources, and incentives that will encourage economic development in Prince George's County.
- Attract upscale and new concept restaurants and retail, revitalize older shopping centers and eliminate food deserts.
- Develop and expand marketing campaigns to promote Prince George's County's business climate, success stories, and lifestyle