

D90U00
Canal Place Preservation and Development Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$155	\$102	\$129	\$27	26.5%
Adjusted General Fund	\$155	\$102	\$129	\$27	26.5%
Special Fund	401	708	567	-142	-20.0%
Adjusted Special Fund	\$401	\$708	\$566	-\$142	-20.0%
Adjusted Grand Total	\$557	\$810	\$695	-\$115	-14.2%

- The fiscal 2017 allowance decreases 14.2% from \$810,380 to \$695,870 largely because of the one-time costs in fiscal 2016 associated with the construction of an access ramp and parking that meets the standards set forth by the Americans with Disabilities Act. General funds increase 26.5% in fiscal 2017, which is an increase of \$27,017 for various maintenance repairs. Special funds decrease by \$141,527 because of an overall decrease in special funds available.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	3.00	3.00	3.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	3.00	3.00	3.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/15	0.00	0.00%

- The number of regular employees and contractual positions remains unchanged between the current year and the allowance.
- The Canal Place Preservation and Development Authority (Canal Place) does not have any vacant positions because the agency is a staff of 3. The Administrative Officer retired in October 2015, and Canal Place has since hired 1 new staff person.

Analysis in Brief

Major Trends

Number of Events and Visitors for Attractions Fluctuates: The number of visitors to Canal Place declined from fiscal 2011 to 2014 but increases in fiscal 2015. There has also been a parallel trend in the number of events held at Canal Place.

Alternative Revenue for Canal Place: Canal Place receives funding through grants, property leases, paid parking, and from the City of Cumberland in addition to the State funds received. Non-State revenue declined in fiscal 2015.

Issues

Ownership of Canal Place: Canal Place oversees the preservation, development, and management of the Canal Place Preservation District, a designated heritage area in Cumberland, Maryland around the western end of the Chesapeake and Ohio Canal. The 2014 *Joint Chairmen's Report* requested that Canal Place submit a report on alternatives to State ownership of the authority's property. This issue will address the current state of alternative ownership options as well as the financial stability of Canal Place in the case that no external options are viable.

Recommended Actions

1. Add language that requires the completion of an asset appraisal for the Canal Place Preservation Development Authority related to the transition to non-State ownership.

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Canal Place Preservation and Development Authority

Operating Budget Analysis

Program Description

In 1993, the Canal Place Preservation and Development Authority (Canal Place) was created by legislation to spur the preservation, development, and management of the Canal Place Heritage Area in downtown Cumberland. Canal Place is charged with transforming the area into a major heritage tourism destination. Its responsibilities are directed by a nine-member commission and include:

- preserving or assisting in the preservation of buildings, structures, and a setting of historical value;
- conducting activities to educate the public about the history and significance of the heritage area;
- providing recreational uses of the heritage area; and
- facilitating economic development in the heritage area, such as through public and private investment in adaptive reuse, interpretive attractions, or other activities.

When fully developed, Canal Place will feature boat rides along a restored section of the Chesapeake and Ohio (C&O) Canal, which broke ground in Washington, DC in 1828 and reached Cumberland in 1850. Today, visitors can walk or bike along the canal towpath and can benefit from other Canal Place projects that have been completed. A retail marketplace includes nine shop locations and a plaza that hosts music and festival events. Currently, all shops are occupied and are open for business. A canal boat replica is on display, and train rides are available from the historic Western Maryland Railway Station.

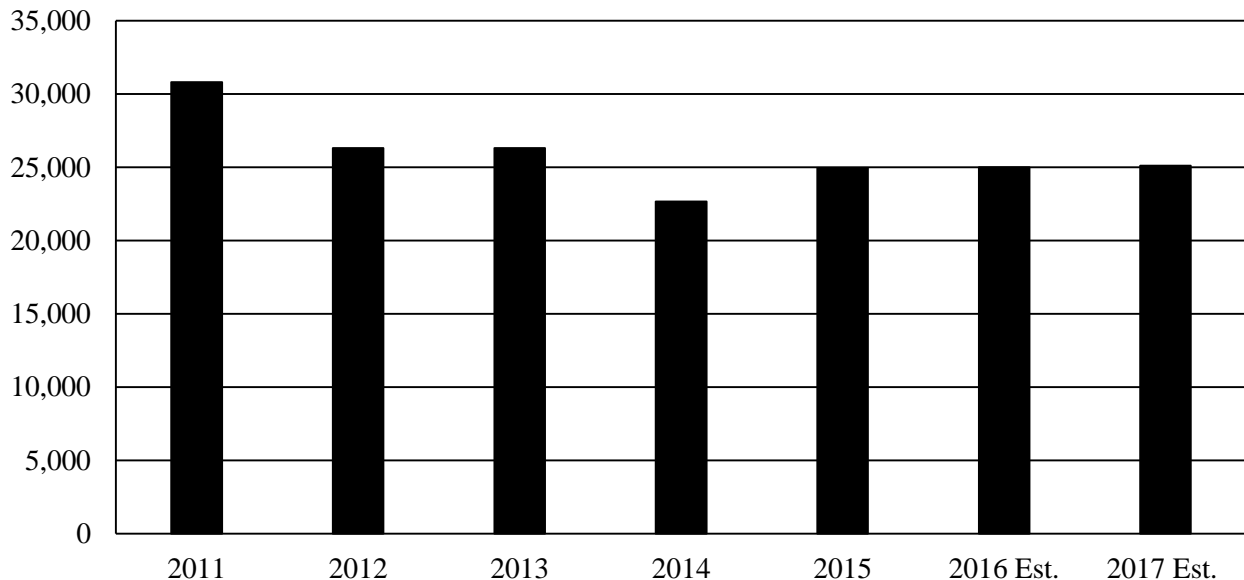
Major festival grounds have been completed and are a focal point of the area. The interstate Allegheny Highlands Trail was linked to Canal Place in December 2006. This trail stretches from Pittsburgh to Washington, DC; the Maryland portion of the Great Allegheny Passage currently measures about 22 miles. In addition to the fairgrounds, Canal Place is home to eight buildings that house a variety of shops and a Montessori school, two bridges, a parking lot, and a newly acquired and currently renovated Footer Dye building.

Performance Analysis: Managing for Results

1. Number of Events and Visitors for Attractions Fluctuates

The number of visitors to Canal Place declined for several years after fiscal 2011. However, in fiscal 2015, visitors increased to 24,960 after dropping significantly to 22,649 in fiscal 2014. This increase can be attributed to the hiring of a contractual public relations coordinator that has promoted Canal Place as an ideal site for a variety of events as well as a place to visit for different interest groups. **Exhibit 1** illustrates the historical pattern of visitor activity.

Exhibit 1
Visitors to Canal Place
Fiscal 2011-2017 Est.



Source: Department of Budget and Management

Exhibit 2 illustrates the variation in the type of events held on Canal Place grounds and by whom they are sponsored. The number of total events has increased from 24 in fiscal 2014 to 33 in fiscal 2015 with revenue increasing as well. The increase in the number of events can also be attributed to the increase in public relations. Some of the events held at Canal Place include:

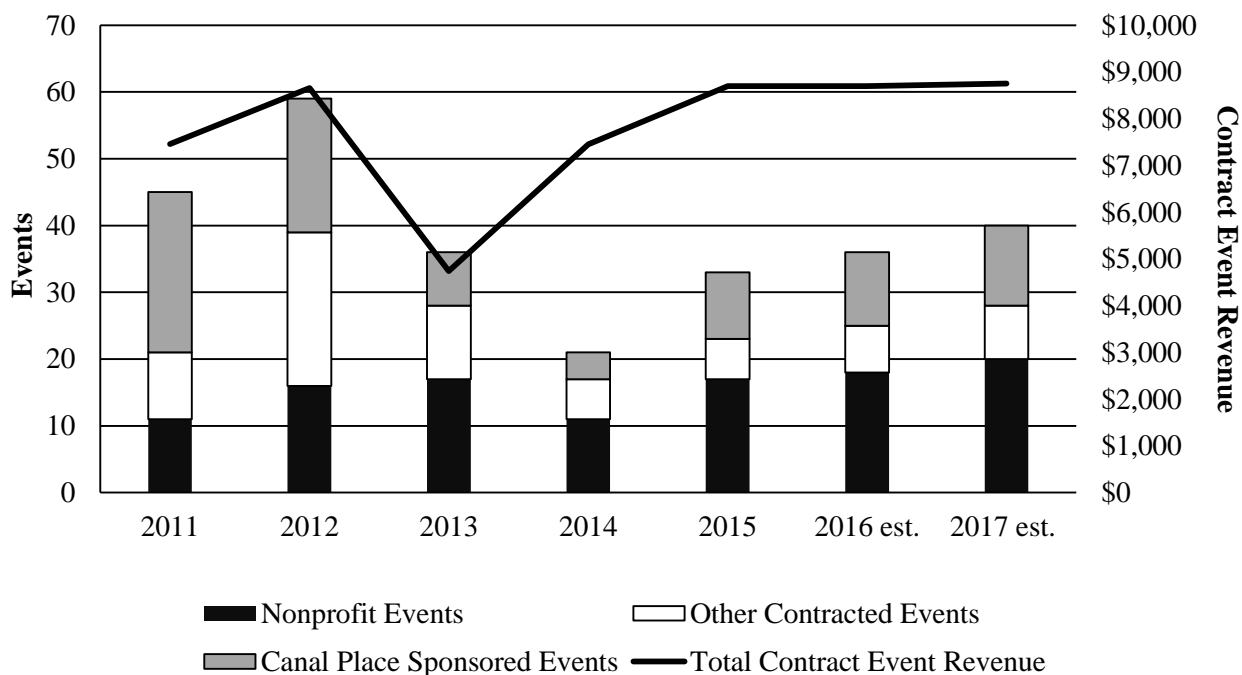
- outdoor movie nights for families with vendors paying to provide concessions;

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- a star spangled living history event with historical figures like Harriet Tubman sharing their experiences at the canal;
- concerts co-sponsored with Canal Place tenants including the Grand Ole Ditch Bluegrass Band and Travis Minnick Band; and
- the annual July 4 event most recently themed the Red, White and Bluegrass Celebration, which is attended by thousands of visitors each year.

Canal Place has also worked to restore the annual CanalFest, which is a popular celebration of the transportation heritage area.

Exhibit 2
Events by Type and Contract Event Revenue
Fiscal 2011-2017 Est.

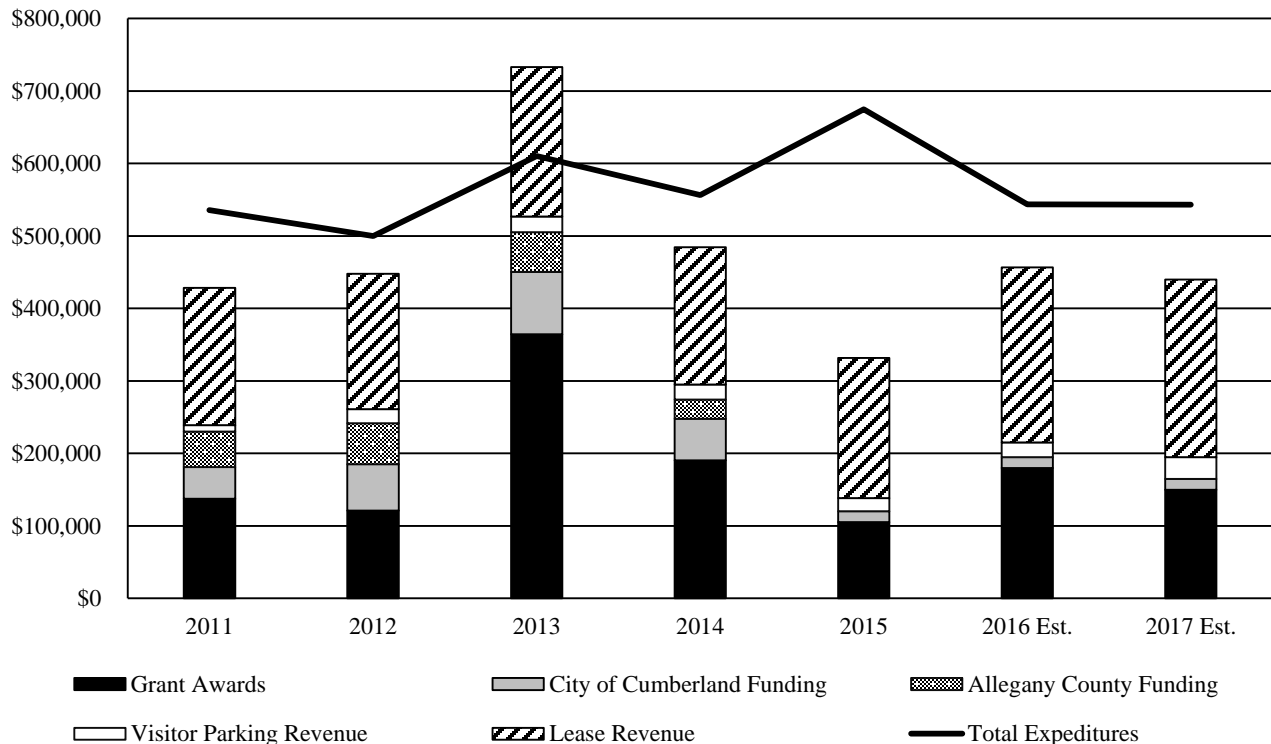


Source: Department of Budget and Management

2. Alternative Revenue for Canal Place

Canal Place has historically received funding from Allegany County and the City of Cumberland as well as several private entities. In fiscal 2011, funding from the City of Cumberland totaled \$43,583, Allegany County contributed \$49,000, and \$137,500 was received from other grants, which combined totaled 43% of the overall budget in fiscal 2011. In fiscal 2015, there was a significant decline in support from the City of Cumberland (to \$14,920) and other grants (to \$105,238). Contributions from Allegany County also ended. From fiscal 2010 to 2014, Canal Place received revenue from Allegany County in relation to a grounds lease and motel tax revenues from the Fairfield Inn, which is housed on Canal Place property. It is unclear if Canal Place is currently receiving funds from motel tax revenues. **Exhibit 3** shows the annual revenue, revenue source, and expenditures for fiscal 2011 through 2017 projections. **The Department of Legislative Services (DLS) recommends that Canal Place comment on the current status of revenues received from Allegany County and other non-State revenues generally.**

Exhibit 3.
Canal Place Non-state Revenue and Expenditures
Fiscal 2011-2017 Est.



Source: Department of Budget and Management

Fiscal 2016 Actions

Cost Containment

The Administration’s fiscal 2016 cost containment strategy for Canal Place includes a 2% across-the-board reduction in general funds. The 2016 cost containment reduction is \$2,000 in maintenance costs.

Proposed Budget

The fiscal 2017 allowance is approximately \$115,000 lower than the fiscal 2016 working appropriation, as shown in **Exhibit 4**. The general fund appropriation increased by \$27,000, which is a 26.5% increase. This is more than offset by a \$142,000 (20%) decline in special fund expenditures.

Exhibit 4
Proposed Budget
Canal Place Preservation and Development Authority
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$155	\$401	\$557
Fiscal 2016 Working Appropriation	102	708	810
Fiscal 2017 Allowance	<u>129</u>	<u>566</u>	<u>695</u>
Fiscal 2016-2017 Amount Change	\$27	-\$142	-\$115
Fiscal 2016-2017 Percent Change	26.5%	-20.0%	-14.2%
 Where It Goes:			
Personnel Expenses			
Retiree and employee health insurance.....			\$11
Employees’ retirement system			4
Regular earnings			-1
Grounds, Building Maintenance, and Repairs			
Construction of raised crosswalks, a bike washing station, and bike shelters			77
Trash removal			1
Flooring and carpet replacement.....			-4
Construction of Americans with Disabilities access parking and ramp.....			-209

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Where It Goes:

Other Changes

Contractual public relations services	12
Attorney General services	10
Communications and utilities.....	3
Supplies, fixed charges, and equipment	-2
Conference travel and replacement vehicle costs	-2
Other contractual services	-5
Request for Proposal solicitation for special projects	-5
Other	-5
Total	-\$115

Note: Numbers may not sum to total due to rounding.

Grounds, Building Maintenance, and Repairs

The largest increase in the fiscal 2017 allowance is the \$77,000 to fund project managers to provide expertise and facilitate several construction projects to enhance the attractiveness of Canal Place to visitors. These projects include the improvement of signs for the Allegheny Passage bike trail as well as the construction of a raised crosswalk, a bike washing station, and shelters for bikers and hikers.

There is a \$209,000 decrease in the fiscal 2017 budget because in fiscal 2016, there was a project to construct an access ramp and parking that met the standards set forth by the Americans with Disabilities Act.

Other Charges

Canal Place also has a \$12,000 increase in expenses for contractual services to promote the events and Farmers Market taking place on the Canal Place property. This position also provides website hosting, social media, sponsorship development, public relations, and marketing.

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency’s share of these reductions is \$386 in special funds. There is an additional across-the-board reduction to abolish vacant positions statewide, but the amounts have not been allocated by agency.

Issues

1. Ownership of Canal Place

In recent years, there have been questions surrounding the fiscal sustainability of Canal Place. The 2014 *Joint Chairman's Report* required the Maryland Heritage Areas Authority (MHAA) and the Department of General Services (DGS), in consultation with Canal Place, to prepare a report on alternatives to State ownership and management of the Heritage Area and associated real property assets by December 31, 2014. Since then, a report has been issued by the Maryland Department of Planning in reference to ownership options. The report issued on December 31, 2014, acted as an interim report because it was determined that there was a need for appraisals as well as the development and issuance of a Request for Expression of Interest (RFEI). The RFEI would be issued to private and non-State entities to determine if there were attractive options for ownership outside of the current State agencies.

DGS took the lead on this appraisal process, but because of the Administration change and all of the subsequent adjustments, they were delayed in completion. **DLS recommends adding budget language that specifies that general funds from the Department of General Services and special funds from the Maryland Heritage Area grant given to Canal Place be specifically used for the purpose of completing an appraisal of all Canal Place assets. This appraisal should be used to develop an RFEI in the purchase of Canal Place assets.**

Recommended Actions

1. Add the following language:

SECTION XX. AND BE IT FURTHER ENACTED, That \$10,000 of the general fund appropriation made for administration in the Department of General Services and \$10,000 of the special fund appropriation of the Canal Place Preservation and Development Authority (Canal Place) received from the Maryland Heritage Areas Authority may not be expended for their original purpose but instead may be expended only for the purpose of an independent appraisal on the property owned and maintained by Canal Place. The appraisal should be used to issue a Request for Expressions of Interest (RFEI) to determine external interest in the purchase of any or all assets managed by Canal Place. The Maryland Heritage Area Authority, the Department of General Services, and Canal Place shall, by June 30, 2017, submit a report to the budget committees including the appraisal of Canal Place Heritage Area assets, the RFEI, a summary of the responses to the RFEI, and recommended ownership alternatives for the Canal Place Heritage Area. The budget committees shall have 45 days to review and comment.

Explanation: This language restricts \$10,000 in general funds in the Department of General Services (DGS) and \$10,000 in special funds to Canal Place to be used to get appraisals of all of the Canal Place assets. This appraisal will be used to develop an RFEI in order to outline alternative ownership options for Canal Place.

Information Request	Authors	Due Date
Report on alternative ownership options including Canal Place appraisal, RFEI, response to request	DGS Maryland Heritage Areas Authority Canal Place	June 30, 2017

Current and Prior Year Budgets

Current and Prior Year Budgets Canal Place Perservation and Development Authority (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$116	\$433	\$0	\$0	\$549
Deficiency Appropriation	42	0	0	0	42
Cost Containment	-2	0	0	0	-2
Budget Amendments	0	87	0	0	87
Reversions and Cancellations	0	-118	0	0	-118
Actual Expenditures	\$155	\$401	\$0	\$0	\$557
Fiscal 2016					
Legislative Appropriation	\$102	\$438	\$0	\$0	\$540
Budget Amendments	0	270	0	0	270
Working Appropriation	\$102	\$708	\$0	\$0	\$810

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The 2015 legislative appropriation for Canal Place increased by \$7,966. A deficiency appropriation increased general funds by \$41,572 for maintenance and repairs. Cost containment decreased general funds by \$2,324.

The special fund appropriation decreased by \$31,282. Budget amendments increased special funds by \$86,723 including \$1,723 for a cost-of-living adjustment and \$85,000 to purchase new gates for the paid parking lots. There was \$118,005 in special fund cancellations:

- \$30,000 in MHAA marketing grant funds;
- \$23,000 in trailhead funds because the project started later than anticipated;
- \$15,000 for the Footer Dye renovation because the project started later than anticipated; and
- \$50,005 for repairs to other leaking dormers on the roof of the Western Maryland Railway Station that will not begin until fiscal 2016.

Fiscal 2016

To date, the 2016 legislative appropriation for Canal Place has increased by \$270,000, which includes \$3,000 for the restoration of the 2% pay cut and \$266,933 for the construction of an access ramp and parking that meets the standards set forth by the Americans with Disabilities Act.

Object/Fund Difference Report
Canal Place Preservation and Development Authority

<u>Object/Fund</u>	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u> <u>Appropriation</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16 - FY 17</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	3.00	3.00	3.00	0.00	0%
Total Positions	3.00	3.00	3.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 194,040	\$ 194,769	\$ 209,204	\$ 14,435	7.4%
03 Communication	13,027	12,432	11,393	-1,039	-8.4%
04 Travel	3,902	4,000	1,000	-3,000	-75.0%
06 Fuel and Utilities	71,759	70,251	73,910	3,659	5.2%
07 Motor Vehicles	1,527	1,770	2,980	1,210	68.4%
08 Contractual Services	222,095	496,221	295,611	-200,610	-40.4%
09 Supplies and Materials	19,367	20,400	19,500	-900	-4.4%
10 Equipment – Replacement	15,410	1,000	500	-500	-50.0%
13 Fixed Charges	6,857	5,188	4,533	-655	-12.6%
14 Land and Structures	8,716	4,349	77,239	72,890	1676.0%
Total Objects	\$ 556,700	\$ 810,380	\$ 695,870	-\$ 114,510	-14.1%
Funds					
01 General Fund	\$ 155,459	\$ 101,983	\$ 129,000	\$ 27,017	26.5%
03 Special Fund	401,241	708,397	566,870	-141,527	-20.0%
Total Funds	\$ 556,700	\$ 810,380	\$ 695,870	-\$ 114,510	-14.1%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
Canal Place Preservation and Development Authority

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
0000 Grounds Maintenance	\$ 137,182	\$ 141,555	\$ 0	-\$ 141,555	-100.0%
1000 General Administration	419,518	668,825	695,870	27,045	4.0%
Total Expenditures	\$ 556,700	\$ 810,380	\$ 695,870	-\$ 114,510	-14.1%
General Fund	\$ 155,459	\$ 101,983	\$ 129,000	\$ 27,017	26.5%
Special Fund	401,241	708,397	566,870	-141,527	-20.0%
Total Appropriations	\$ 556,700	\$ 810,380	\$ 695,870	-\$ 114,510	-14.1%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.