

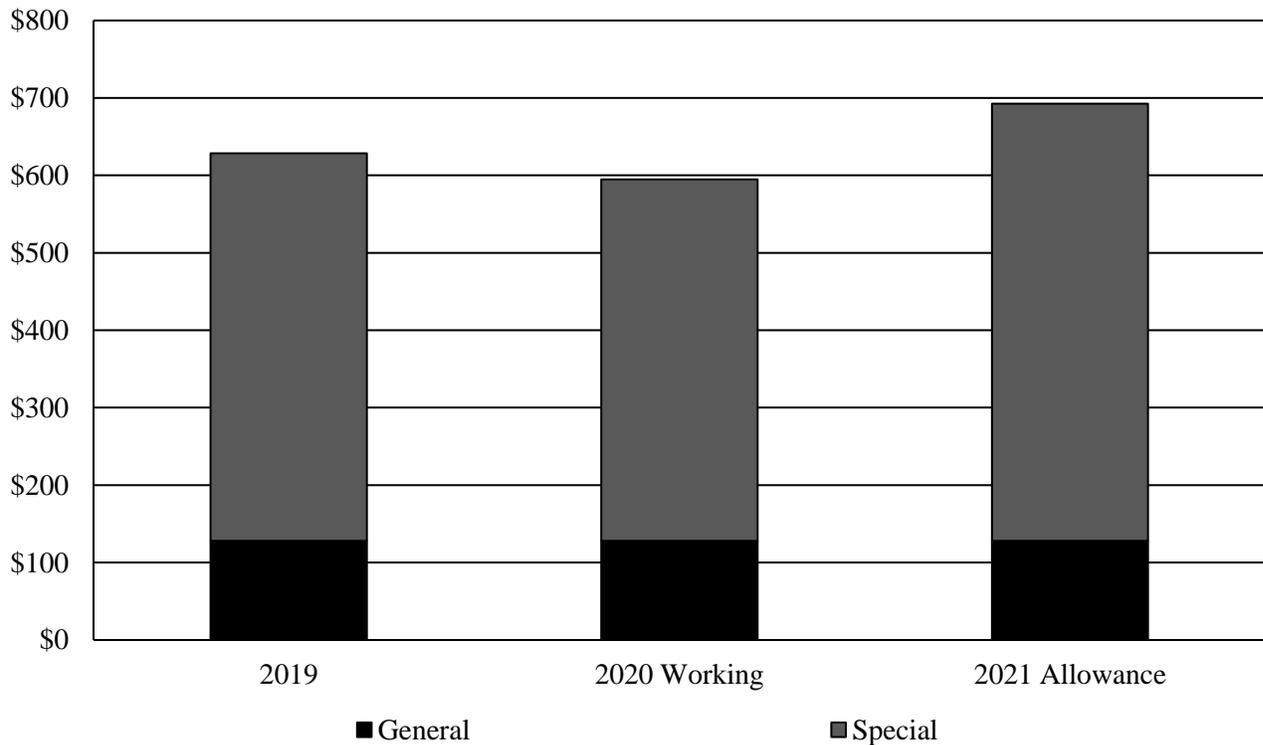
D90U00
Canal Place Preservation and Development Authority

Program Description

The Canal Place Preservation and Development Authority (Canal Place) administers the program for the Passages of the Western Potomac Heritage Area (formerly Canal Place Heritage Area) in accordance with a management plan. The Heritage Area includes the lands adjacent to the Chesapeake and Ohio (C&O) Canal in Cumberland and the historic core of Frostburg. Canal Place’s goals are to develop and implement education and interpretive programs that will enhance visitorship; secure public and private support through corporate sponsorship, partnerships, and private donations; partner with local tourism and the Downtown Development Commission to promote events and activities at the 11-acre, State-owned Canal Place and within the Heritage Area; and coordinate with stakeholders to develop and promote Canal Place as a heritage park.

Operating Budget Summary

Budget Increases by \$97,900 or 16.5% to \$692,600 in Fiscal 2021

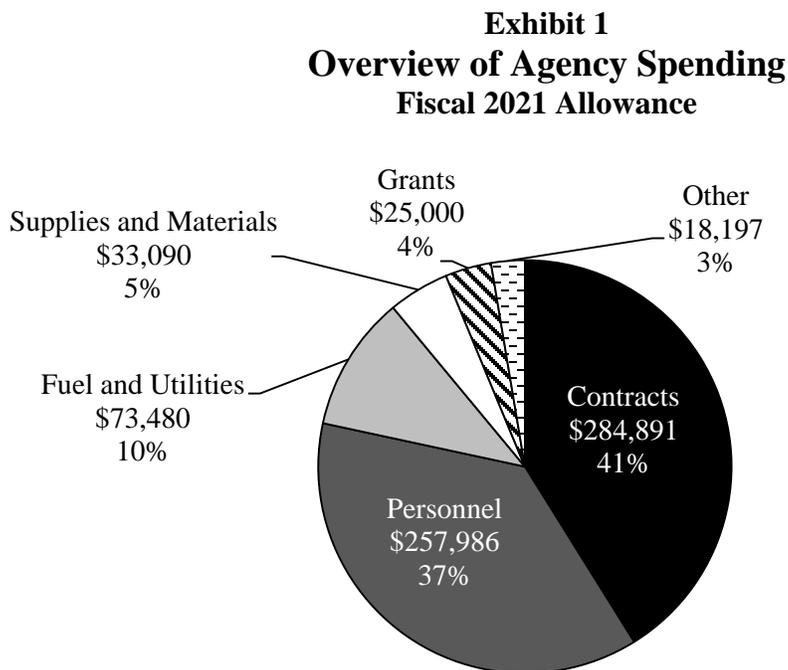


Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- The adjusted fiscal 2021 allowance increases \$97,871, or 16.5%, from the adjusted fiscal 2020 working appropriation due primarily to one-time maintenance costs funded by increased revenues from the 1.5% to 3.5% increase for the Fairfield Inn per person rate and the \$1 to \$3 increase in the Western Maryland Scenic Railroad train ticket recovery amount.

Fiscal 2021 Overview of Agency Spending

Canal Place’s main expenditure categories are contracts, personnel, fuel and utilities, supplies and materials, grants, and other administrative funding. **Exhibit 1** reflects this breakdown. The contracts funding reflects \$284,891, or 41%, of Canal Place’s fiscal 2021 adjusted allowance. The three largest contracts are the \$148,000 for cleaning services and maintenance contract for the Western Maryland Railway Station and shops, \$34,000 for an assistant Attorney General, and \$24,275 for the Department of Information Technology fee-for-services business model. The personnel category includes the funding for Canal Place’s 3.0 regular positions and accounts for \$257,986, or 37%. Fuel and utilities are \$73,480, or 10%, for water, electricity, and gas for historic buildings. Supplies and materials are \$33,090, or 5%, also for historic buildings. Grants funding of \$25,000, or 4%, reflects the Heritage Area’s mini-block grant funding from the Maryland Heritage Areas Authority (MHAA) within the Maryland Department of Planning. The other remaining expenditures in Canal Place’s fiscal 2021 adjusted allowance reflect \$18,197, or 3% of its spending.



Source: Department of Budget and Management; Department of Legislative Services

Proposed Budget Change

Exhibit 2 shows the adjusted fiscal 2021 allowance increases by \$97,871 in special funds, or 16.5%, from the adjusted fiscal 2020 working appropriation. The increased special funds are due to the increased revenues from the 1.5% to 3.5% increase for the Fairfield Inn per person rate and the \$1 to \$3 increase in the Western Maryland Scenic Railroad train ticket recovery amount. There is no change in the general fund appropriation, all of which is budgeted for Tim Martin Home Improvements, Canal Place’s all-purpose physical plant contractor. Changes in personnel funding are discussed first and then other administrative changes.

Exhibit 2
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 2019 Actual	\$128	\$500	\$628
Fiscal 2020 Working Appropriation	128	467	595
Fiscal 2021 Allowance	<u>128</u>	<u>565</u>	<u>693</u>
Fiscal 2020-2021 Amount Change	\$0	\$98	\$98
Fiscal 2020-2021 Percent Change		21.0%	16.5%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Employee and retiree health insurance	\$10
General salary increase	9
Retirement contributions.....	4
Fiscal 2021 2% cost-of-living adjustment (COLA).....	2
Net annualization of the fiscal 2020 1% COLA	1
Other fringe benefit adjustments.....	1
Other Changes	
State-controlled costs.....	32
Physical plant upgrades.....	25
Electricity	8
New website.....	5
Other	1
Total	\$98

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Personnel

Canal Place's overall personnel expenditures increase by \$26,921 in the fiscal 2021 adjusted allowance. The largest change is an increase of \$9,999 for employee and retiree health insurance. There also is an increase of \$9,253 for the general salary increase. This reflects the hiring of a financial manager above the base salary amount in January 2019, after the fiscal 2020 budget was introduced by the Governor. As a result, the funding was not reflected until fiscal 2021. Other funding increases include \$3,810 for retirement contributions, \$2,106 for the fiscal 2021 2% cost-of-living adjustment (COLA), and \$1,053 for the annualization of the fiscal 2020 1% COLA.

Other Changes

The nonpersonnel portion of Canal Place's fiscal 2021 adjusted allowance increases by \$70,950. The majority of the funding is for State-controlled costs, which increase by a net of \$32,368 in special funds.

Canal Place's property includes the Shops at Canal Place, the Footer's Dye Works building, the Western Maryland Railway Station, festival grounds, the ground on which the Fairfield Inn stands, two pedestrian bridges, a full scale replica canal boat, and two parking lots: a pay-for-parking lot; and a tenant parking lot. Canal Place's responsibility for building improvements rests with the Western Maryland Railway Station and the Shops at Canal Place. The costs of maintaining the historic Western Maryland Railway Station, in which Canal Place operates, and the Shops at Canal Place reflect the second largest change in Canal Place's fiscal 2021 allowance. The direct costs for maintaining the physical plant include the costs for the supplies and materials and the contractual services to do the work. The contractor doing the work is Tim Martin Home Improvements. The contract cost for Tim Martin Home Improvements increases by \$8,000 in general funds in the fiscal 2021 allowance. Other contractual services for maintaining the physical plant increase by \$5,675 and the supplies and materials to be used for the physical plant work increase by \$11,405.

Electricity increases by a net of \$7,702 comprised of an increase of \$8,829 in special funds and a decrease of \$1,127 in general funds. The fiscal 2021 allowance of \$20,874 in special funds is more in line with the fiscal 2019 actual expenditures of \$22,507. Canal Place operates out of the historic Western Maryland Railway Station, and it is limited in its ability to make door and window replacements for energy efficiency purposes. However, Canal Place has completed energy upgrades as part of an energy contract to improve the efficiency of its buildings; this is reflected in the fiscal 2021 allowance as a five-year energy contract loan repayment scheduled with the Maryland Energy Administration with four remaining payments. After this period, Canal Place's electricity expenditures are expected to decrease.

There is an increase of \$5,000 in special funds for a new website. The Heritage Area is rebranding itself the Passages of the Western Potomac. The website will deploy in March 2020, but the funding for it is split between fiscal 2020 and 2021.

Personnel Data

	<u>FY 19</u> <u>Actual</u>	<u>FY 20</u> <u>Working</u>	<u>FY 21</u> <u>Allowance</u>	<u>FY 20-21</u> <u>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 12/31/19	n/a	n/a
Vacancies Above (Below) Turnover	0.00	0.00

- There is no change in the regular positions between fiscal 2020 and 2021.

Key Observations

1. Three Authority Opportunities

Canal Place is facing three opportunities, as follows.

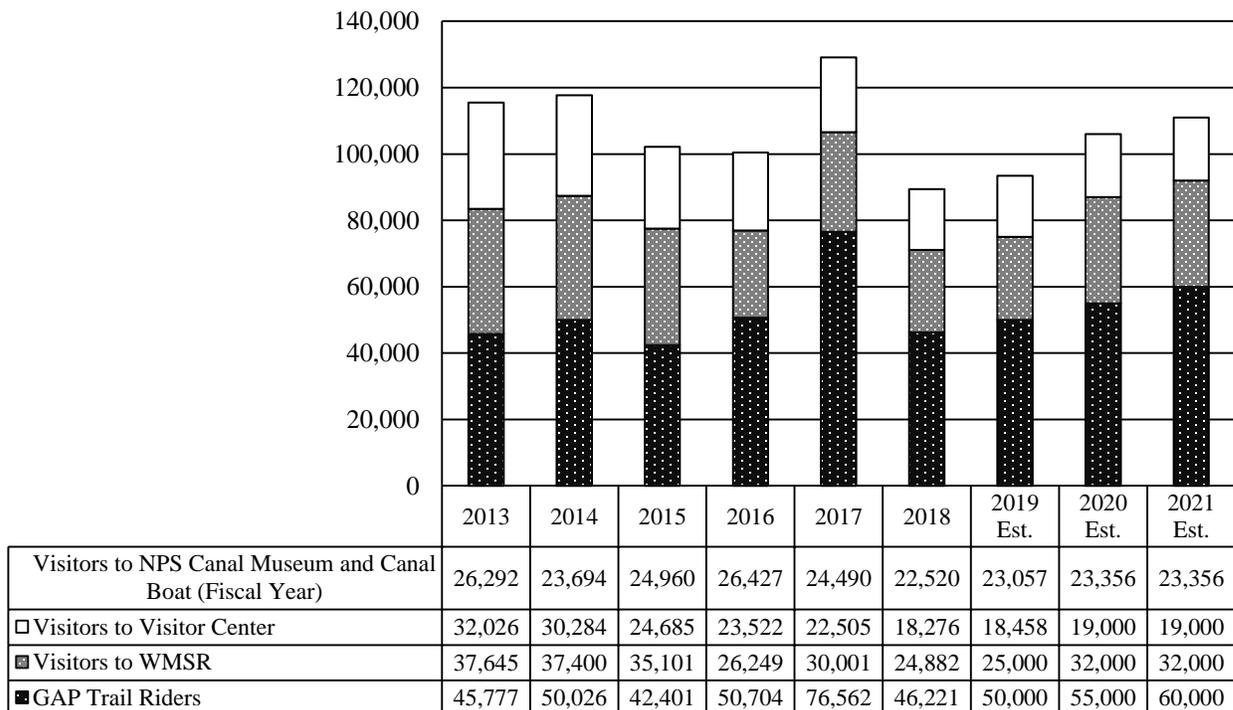
- ***Management Plan:*** The Heritage Area has a management plan that originally was approved in 1996 and subsequently updated in 2002. Another update was drafted in April 2014, providing information on proposed actions and recommendations for the fiscal 2013 through 2017 time period and calling for an expansion of the Heritage Area to a larger portion of Allegany County. Ultimately, this expansion was not approved; instead, a modification of the Heritage Area to include more of Cumberland was approved. Most recently, on October 11, 2018, the historic core of Frostburg was incorporated into the Heritage Area.
- ***Rewatering the C&O Canal:*** One of the findings in the legislation establishing Canal Place is the need for the Heritage Area management plan to include the programming and financing for the rewatering of the C&O Canal. Canal Place notes that it is a partner in this endeavor and that the National Park Service ultimately is responsible for this work.
- ***River Walk:*** Canal Place has previously received \$30,000 in MHAA funding and anticipates an additional \$30,000 in federal Appalachian Regional Commission reimbursement funding to complete a conceptual plan and feasibility study for the proposed River Walk project. The project would revamp the connection of the Heritage Area to the Potomac River and accentuate access to the Potomac River in general.

The Department of Legislative Services recommends that Canal Place comment on whether there are any plans to update the Heritage Area management plan, the status of plans to rewater the C&O Canal, and the overall anticipated cost for the River Walk project and when the funding is expected to be realized in Canal Place’s budget.

2. Visitors and Events

The Heritage Area attracts visitors through activities and events. **Exhibit 3** shows the number of visitors for different events and localities within the Heritage Area. There was a decline in the number of visitors for the Western Maryland Scenic Railroad, the Canal Museum, and the Great Allegheny Passage (GAP) trail between calendar 2017 and 2018 and for the Visitor Center between fiscal 2017 and 2018. The decrease for the GAP trail was because of two landslides that affected both the entrance to the GAP trail and the train tracks between Cumberland and Frostburg. Sections of the Paw Paw Tunnel and the C&O Canal Towpath were also closed for repairs.

Exhibit 3
Visitors
Calendar 2013-2021 Est.

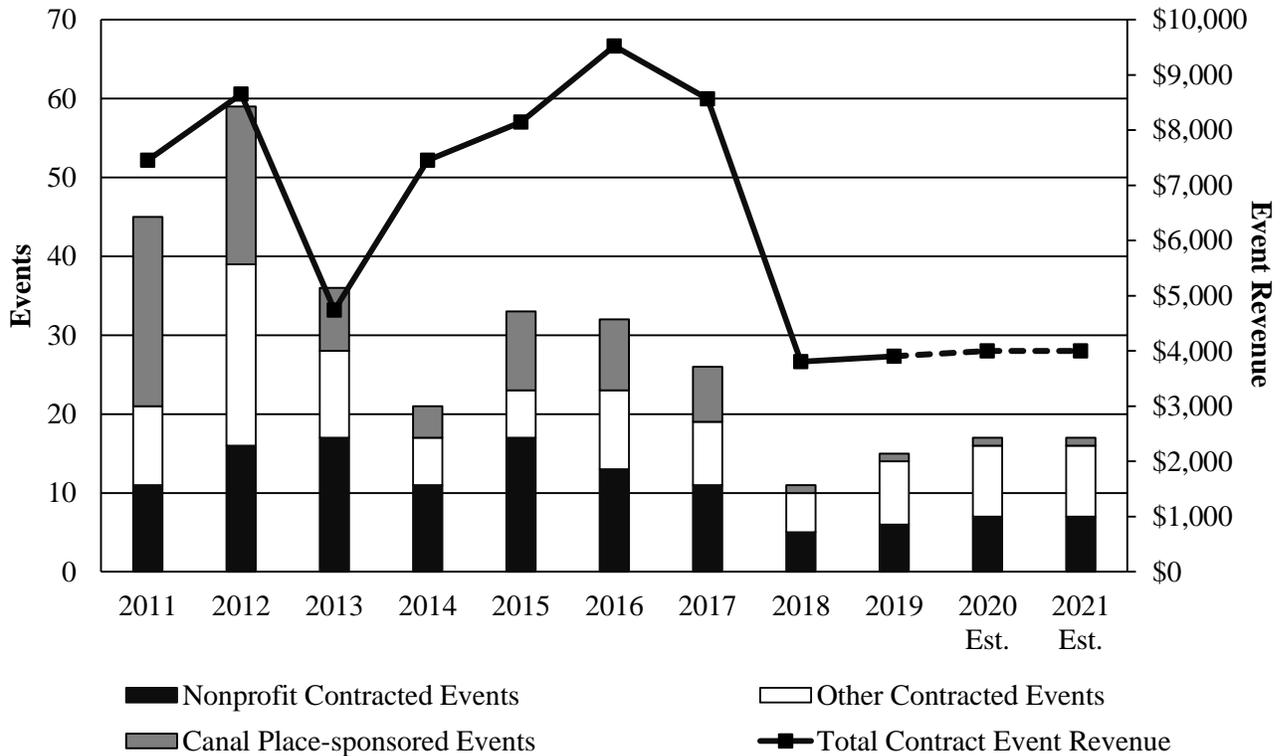


GAP: Great Allegheny Passage
 NPS: U.S. National Park Service
 WMSR: Western Maryland Scenic Railroad

Source: Governor’s Fiscal 2015-2021 Budget Books

There has also been a decline in the number of events hosted and event revenue as shown in **Exhibit 4**. Canal Place notes that it jointly funded an events coordinator position with Cumberland, but the events coordinator left Cumberland, and no replacement has been hired.

Exhibit 4
Events and Event Revenue
 Fiscal 2011-2021 Est.



Source: Governor’s Fiscal 2013-2021 Budget Books

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. A Geeral History of Plans for Canal Place

The future of Canal Place has received a certain amount of attention from the General Assembly in recent years. Legislation has been introduced in the 2020 session to continue the exploration of the possibilities for Canal Place.

Background

Canal Place was established in State law in 1993 as an independent unit in the Executive Branch of the State government. Canal Place is an instrumentality of the State and a public corporation. Canal Place’s duties include (1) administering and developing a management plan for the Heritage Area; (2) preserving or assisting in the preservation of buildings, structures, and settings of historic value in the Heritage Area; (3) conducting activities to educate the public about the history and significance of the Heritage Area; (4) providing for recreational uses of the Heritage Area for both active and passive pursuits; and (5) facilitating economic development in the Heritage Area through public and private investment in adaptive reuse, interpretive attractions, or other activities.

Canal Place was formed by the General Assembly based on findings that (1) an opportunity existed to rediscover the value of the C&O Canal by transforming the canal and adjacent areas to a showpiece of historic preservation that would enhance recreational, commercial, civic, transportation, educational, and ecological values; and (2) the responsibility for developing and implementing a management plan for the Heritage Area could best be carried out by vesting requisite powers in a public corporation that could take maximum advantage of the public and private resources necessary to ensure the success of the management plan.

2018 Legislative Session

Chapter 789 of 2018 established a task force to determine how to alter the powers of Canal Place as a State agency in order to align the mission and purpose of the Heritage Area with that of other certified Heritage Areas. The task force was required to report its findings and recommendations to the Senate Budget and Taxation Committee and the House Appropriations Committee by June 1, 2019.

The task force was required to do the following:

- determine the most feasible method to restructure or continue the operations of Canal Place as a State entity;
- determine the best method for the disposition of the assets of Canal Place that may include (1) the transfer of all or part of the assets to another State agency and (2) the sale and transfer of all or part of the assets to a private entity, which must provide the current leaseholders of the Shops at Canal Place with a right of first refusal on the sale or transfer of the Shops at Canal Place;

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- determine the best method for the transfer of all leases held and maintained by Canal Place;
- examine the effect of the task force’s recommendations on State employees at Canal Place;
- examine the costs associated with the dissolution of the Canal Place property;
- consult with the U.S. Department of the Interior and other applicable federal entities regarding the disposition of Canal Place assets;
- undertake any other studies or examinations deemed necessary; and
- recommend draft legislation to implement the conclusions of the task force.

In order to carry out the task force’s duties by August 1, 2018, the Department of General Services (DGS) was required to conduct an independent appraisal on the property owned and maintained by Canal Place. The appraisal was then required to be used to issue a Request for Expressions of Interest to determine the external interest in the purchase of any or all assets managed by Canal Place.

The appraisal of Canal Place’s property has taken longer than expected due to the complexity of the properties involved, including railroad and federal property, and other competing priorities, and thus, the appraisal was not available before the task force’s authority terminated on August 31, 2019. Therefore, the task force did not have the information that it needed to complete the rest of its work. To date, the task force’s required report on its findings and recommendations has not been submitted.

2020 Legislative Session

HB 735 and SB 421 have been introduced in order to reestablish the task force to (1) complete the work begun by the task force under Chapter 789 and (2) determine how to alter the powers of Canal Place as a State agency in order to align the mission and purpose of the Heritage Area with that of other certified heritage areas. The task force is required to report its findings and recommendations to specified legislative committees by September 1, 2020. To the extent practicable, task force members are required to be the same as the members originally appointed under Chapter 789. DGS is required to conduct an appraisal of the Canal Place property for the task force by July 1, 2020. The task force’s authority would then terminate on June 30, 2021.

**Appendix 1
Object/Fund Difference Report
Canal Place Preservation and Development Authority**

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent 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	\$ 236,569	\$ 230,012	\$ 253,774	\$ 23,762	10.3%
03 Communication	15,361	8,100	8,600	500	6.2%
04 Travel	3,407	2,600	3,600	1,000	38.5%
06 Fuel and Utilities	53,853	67,326	73,480	6,154	9.1%
07 Motor Vehicles	2,868	1,230	1,230	0	0%
08 Contractual Services	265,219	233,848	284,891	51,043	21.8%
09 Supplies and Materials	25,633	21,685	33,090	11,405	52.6%
10 Equipment – Replacement	0	1,000	1,000	0	0%
12 Grants, Subsidies, and Contributions	21,504	25,000	25,000	0	0%
13 Fixed Charges	3,903	2,919	3,767	848	29.1%
Total Objects	\$ 628,317	\$ 593,720	\$ 688,432	\$ 94,712	16.0%
Funds					
01 General Fund	\$ 128,000	\$ 128,000	\$ 128,000	\$ 0	0%
03 Special Fund	500,317	465,720	560,432	94,712	20.3%
Total Funds	\$ 628,317	\$ 593,720	\$ 688,432	\$ 94,712	16.0%

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.