

D17B0151
Historic St. Mary's City Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,021	\$1,927	\$2,221	\$294	15.3%
Special Fund	569	683	576	-108	-15.7%
Federal Fund	<u>18</u>	<u>220</u>	<u>0</u>	<u>-220</u>	<u>-100.0%</u>
Total Funds	\$2,608	\$2,830	\$2,797	-\$33	-1.2%

- General funds increase \$294,000 in the fiscal 2006 allowance while the total funds decrease \$33,000. Increased general funds will be used for contract maintenance and to hire more seasonal employees to keep more interpretative sites open.

Personnel Data

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>
Regular Positions	35.00	35.00	35.00	0.00
Contractual FTEs	<u>7.40</u>	<u>8.80</u>	<u>9.50</u>	<u>0.70</u>
Total Personnel	42.40	43.80	44.50	0.70

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	1.20	3.42%
Positions Vacant as of 12/31/05	0.92	2.60%

- Two regular costumed interpreter positions were filled by contractals in fiscal 2006.

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

For further information contact: Andrew D. Gray

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Still Not Functioning at Full Capacity: Budget cuts from previous years still limit hours open, staff downtime, and potentially the filling of important positions.

Issues

Overcapitalized or Not Enough Operating Funds?: Capital funds continue to spur more development, but questions remain about the operating funds necessary to staff and run the new interpretative sites.

Recommended Actions

	<u>Funds</u>
1. Reduce general funds \$50,000.	\$ 50,000
Total Reductions	\$ 50,000

D17B0151
Historic St. Mary's City Commission

Operating Budget Analysis

Program Description

Historic St. Mary's City is an outdoor history and archaeology museum that preserves, researches, and interprets the site of Maryland's first capital. In 1997 the Historic St. Mary's City Commission (HSMCC) became an independent unit of State government, removing it from the Department of Housing and Community Development. HSMCC is also part of the multi-year capital improvement plan with St. Mary's College of Maryland, known as the Maryland Heritage Project.

The mission of HSMCC is to appropriately develop and use this historic and scenic site for the education, enjoyment, and general benefit of the public. It is the goal of the commission that the archaeological sites and collections, scenic views, and rural character of the historic city be safeguarded by preservation and research practices consistent with its status as a National Historic Landmark District.

Performance Analysis: Managing for Results

The mission of HSMCC is to preserve and protect the archaeological and historical record of St. Mary's City, Maryland's first capital, and to educate the public on the vital role the city played in the founding of the nation. Historic St. Mary's City, as a national historic landmark and public museum, must continually work to attract the public through new exhibits and learning opportunities while also researching and preserving historic artifacts.

HSMCC's Managing for Results (MFR) is comprised of goals that encompass the three interrelated aspects of its mission: research and preservation, education, and management. The following discussion evaluates the performance of the commission in meeting each of its three goals.

Research and Preservation

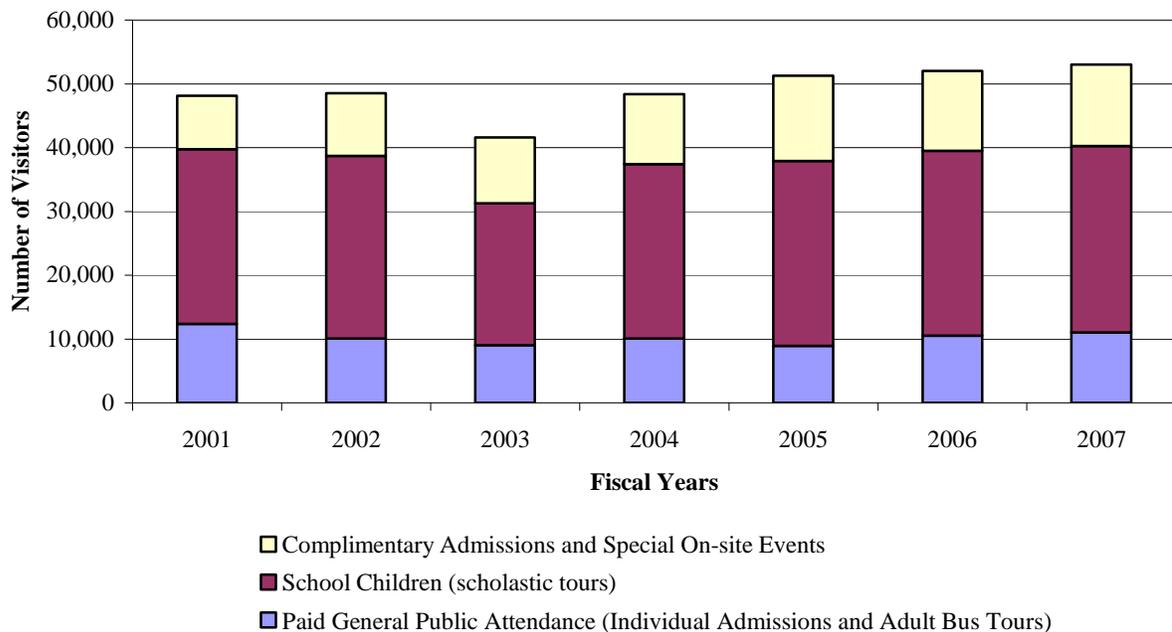
Towards the research and preservation goal of the mission, HSMCC is working to conserve and database as many artifacts as possible. In response to the Department of Legislative Services concerns about measures of the quantity of work being done, HSMCC included two new indicators for the fiscal 2006 MFR and an additional indicator for the fiscal 2007 MFR. HSMCC now measures the volume of soil investigated for new artifacts; the number of artifacts added to the artifact computer database; and the number of pages of research and scientific analysis published each year. HSMCC's goal is to investigate 500 cubic feet of soil a year, which it exceeded in fiscal 2005 by 700 cubic feet and is estimated to continue to meet or exceed. Artifacts added to the computer database were 40,000 in fiscal 2005, which exceeds the 20,000 artifact goal and which is on track to meet or exceed through fiscal 2007. The goal is to produce 600 pages of written products which HSMCC exceeded in fiscal 2005 with 700 pages and is expected to continue to exceed. **HSMCC should**

develop a quality measure for its conservation and databasing of artifacts and comment on efforts to address the 2003 findings of the *American Association of Museum’s Accreditation Report* concerning a four- to five-year backlog in archaeological research reports; the need for a museum registrar to oversee documentation and management of collections and a staff conservationist; and the need for more collections storage space.

Education

One of the best measures of attaining the goal of educating the public is attendance. Public attendance increased in fiscal 2004 and 2005 relative to fiscal 2003 for all three categories of visitors (general public, school children, and complimentary admissions/special on-site events). The greatest increase in fiscal 2006 and 2007 is expected to be from paid admissions. **Exhibit 1** shows the visitation by category from fiscal 2001 through 2007 estimates.

Exhibit 1
Visitors by Category
Fiscal 2001 – 2007



Note: Paid General Public Attendance is individual admissions and other tours (mostly adult bus tours); School Children is scholastic tours; Complimentary Admissions is Foundation members, college students and staff, etc.; Special On-site Events is Maryland Day attendance and weddings.

Source: Historic St. Mary’s City Commission

The main mechanism for attracting visitors to the city is through continuous development of facilities, the landscape, and interpretive sites. HSMCC has 10 new sites which are expected to be either fully or at least partially operational between fiscal 2007 and 2012. In fiscal 2005 work continued on 2 of these 10 sites – the 1667 Brick Chapel (non-state funds) and the St. John’s Archaeological Site. In fiscal 2006 work is expected to start on the Maryland Dove Waterfront Site. HSMCC has had recent troubles completing its capital projects on time and within budget due to budget constraints and construction sector considerations.

Management

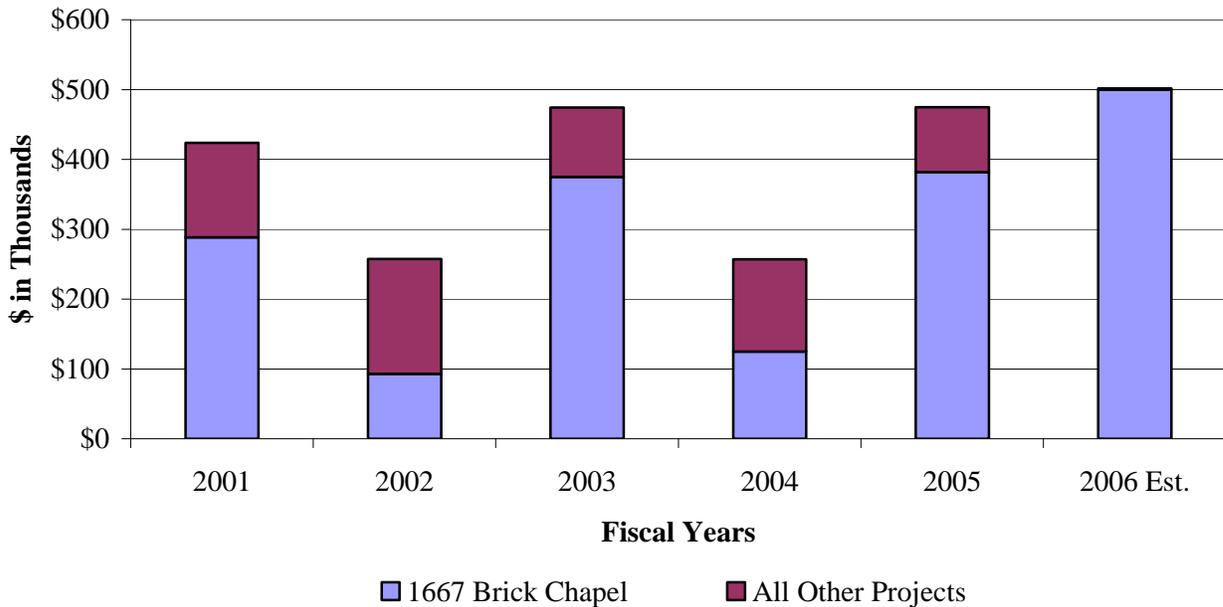
Finally, HSMCC seeks to rely less on State funds as it works to identify and secure grant funds from federal agencies, private foundations, individuals, and corporations. Income from the museum gift shop, rent on properties owned, educational group ticket sales, and other commercial uses of the site (weddings, movie location) make up HSMCC’s special fund revenue and are expected to increase from the fiscal 2005 amount of \$524,585 to an estimated \$575,000 in fiscal 2007.

HSMCC also raises money through grants and gifts received through one of its affiliated organizations, the Historic St. Mary’s City Foundation (Foundation). The grants received by the Foundation do not show up in special fund revenues and are considered restricted, which means they are not available for operating support. Rather the restricted grants are used for special projects such as publications and site activity that HSMCC would not otherwise be able to support. The restricted grants can be broken down into short-term and long-term expenditures. Short-term expenditures (approximately six months after grants are received) are for site activity such as Woodland Indian Discovery Day, Maryland Day, and conservation projects. Long-term expenditures (up to two years or more) are grants for publications, research, and projects like the St. John’s Archaeological Site, the funds for which might be expended over several years.

Two sets of financial books are kept for grants and gifts received by the Foundation. One set of books is for grants and gifts dedicated to the construction of the 1667 Brick Chapel. HSMCC reports that the money for the Chapel is accounted for separately because it is completely private money, and donors are tracked so that they may receive recognition upon completion of the Chapel. The other set of financial books is for all the other site activities and programs, which include such activities as archival support, marketing assistance, membership outreach, and site activity projects.

Upon completion of the Chapel, the Foundation will be expected to fund \$5 million of the proposed Maryland Heritage Interpretive Center. **Exhibit 2** shows the restricted grants received by the Foundation for the Chapel and for all other site activity. **HSMCC should comment on its plans for Foundation fundraising, the projected operating/capital uses of the funds raised, and the relationship between HSMCC and the Foundation in terms of budgeting and planning.**

Exhibit 2
Foundation Restricted Grants for 1667 Brick Chapel vs. All Other Projects
Fiscal 2001 – 2006 Estimates



Note: Fiscal 2006 reflects the funds raised to date.

Source: Historic St. Mary’s City Commission

Governor’s Proposed Budget

The fiscal 2007 allowance totals \$2.8 million, a decrease of \$33,000, or 1.2%, from the fiscal 2006 working appropriation. (See **Exhibit 3**.) General funds account for approximately 79% of the allowance at \$2.2 million, which is a \$294,000 increase from fiscal 2006. Special funds account for approximately 21% of the allowance at \$576,000, which represents a decrease in the amount from fiscal 2006. The special fund balance was \$303,284 at the beginning of fiscal 2005 and was reduced to \$142,042 by the end of fiscal 2006. The special fund balance is projected to remain at \$142,042 at the end of fiscal 2007. Federal funds are not budgeted for fiscal 2007, which is a \$220,000 decrease from fiscal 2006. By statute, the general fund appropriation cannot be less than the fiscal 1998 appropriation of \$1.9 million – the fiscal 2007 allowance exceeds this amount by \$300,000.

The largest increase in the fiscal 2007 allowance is for a \$250,000 arts funding initiative announced by the Governor. Health insurance underbudgeting in fiscal 2006 and rising health insurance costs in fiscal 2007 account for other increases. The \$312,000 decrease in federal grants

Exhibit 3
Governor's Proposed Budget
Historic St Mary's City Commission
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
2006 Working Appropriation	\$1,927	\$683	\$220	\$2,830
2007 Governor's Allowance	<u>2,221</u>	<u>576</u>	<u>0</u>	<u>2,797</u>
Amount Change	\$294	-\$108	-\$220	-\$33
Percent Change	15.3%	-15.7%	-100.0%	-1.2%

Where It Goes:

Personnel Expenses

Health insurance due to rising costs in fiscal 2007.....	\$39
Health insurance due to appropriation understating fiscal 2006 costs.....	29
Retirement system payments	10
Other	1
Decrease in regular earnings and fringes due to 11-month position vacancy.....	-28

Other Changes

Increase in contract maintenance and contractual employees to keep more interpretive spaces open.....	250
Increase in fuel, utility, and repair costs	9
Increase in travel, supplies, and subscriptions.....	6
Federal grants due to grants end and one-time preventative maintenance in fiscal 2006.....	-312
One-time vehicle purchase in fiscal 2006.....	-27
Equipment purchases.....	-5
Insurance coverage	-5

Total **-\$33**

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

and preventative maintenance is due to several large grants carried over from fiscal 2005 finally being expended in fiscal 2006 and one-time preventative maintenance measures in fiscal 2006. The one-time preventative maintenance measures included putting in a new well and septic system for one of the interpretive sites; purchasing replacement fiber cable, scaffolding, heating, ventilation, and air conditioning units; veterinarian treatment for large animals; a replacement nail gun; and fixing a large pick-up truck.

Exhibit 4 shows how HSMCC proposes to spend the Governor’s \$250,000 arts initiative money. The spending roughly can be broken into position enhancements to interpret Historic St. Mary’s City and maintain archaeological collections and miscellaneous expenditures for deferred maintenance, advertising, and fundraising support.

Exhibit 4
Fiscal 2007 General Fund Increase Expenditures
(\$ in Thousands)

Positions

Two public programs contractual interpreters to keep sites open	\$36
Upgrade maintenance position to historic building curator to maintain historic reproductions	25
Contract curator to handle artifacts from excavations	20
Part-time archivist, supplies for historical documentation at new Calvert Hall archives facility	18
Print House contract interpreter	15
Costumer	10
Part-time Visitor Center help	5

Miscellaneous

Deferred maintenance – fences, roofs, tree removal, path erosion, rental home upkeep, parking lot repairs	54
Support for \$5 million Maryland Heritage Project fundraising goal	30
Advertising for increased visitation	25
Additional utilities costs	12

Total **\$250**

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

Issues

1. Overcapitalized or Not Enough Operating Funds?

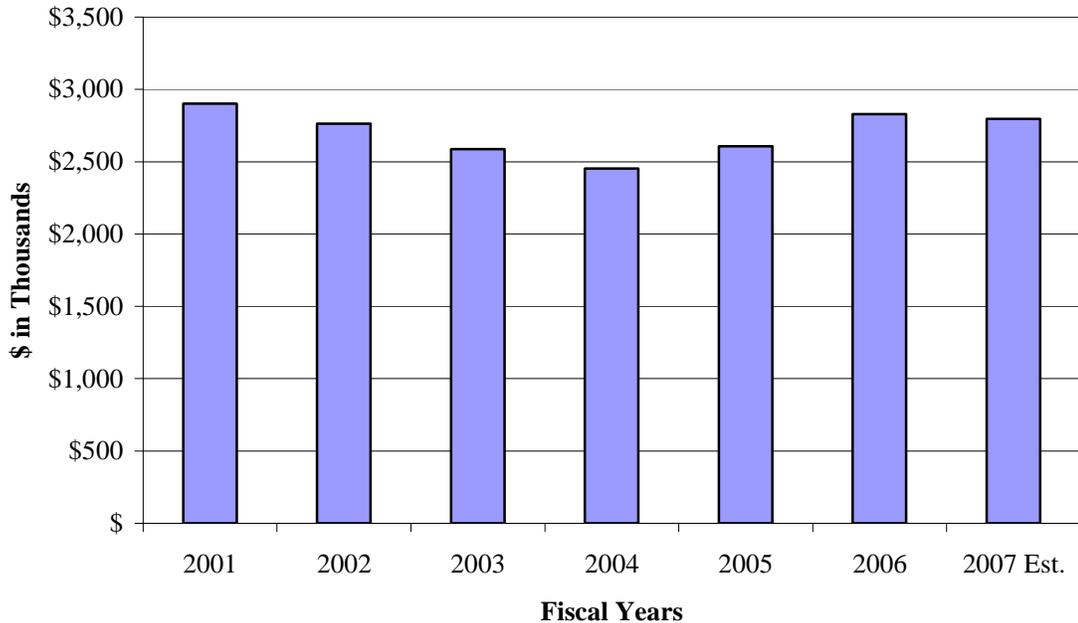
Over the past five years, HSMCC has received nearly \$10 million in State capital development funding for projects such as the St. John’s Archeological Site and the William Nuthead Print House, which are part of the Maryland Heritage Project. However, over this same period, the commission has not secured a significant increase in funds to support the full operation and maintenance of these new facilities. In fact, the fiscal 2007 allowance is less than actual fiscal 2001 spending (**Exhibit 5**). The decline in spending is notable since the operating budget impact of the facilities opened from fiscal 2001 through 2007 was expected to be almost \$200,000 annually from 2007 onwards.

HSMCC has responded to the fiscal constraints by reducing full-time equivalent staffing, which has led to a minimally sustained operation. HSMCC currently is able to staff only six of nine (67%) interpretation sites. With the opening of the Print House in 2006 and St. John’s site in 2008, HSMCC would only be able to staff 55% of these sites without more personnel. The minimum staffing levels mean that lunch breaks cannot be taken until after school groups leave (2:00 – 3:00 p.m.) and that vacations are discouraged until the winter months. In addition, the site is only open five days a week even during active visitation months when it could be open seven days a week. HSMCC estimates that it should be open at least one more day a week to meet the public’s needs. The \$250,000 general fund increase in the fiscal 2007 allowance will provide additional resources to alleviate these constraints. **HSMCC should comment on whether the general fund increase will enable HSMCC to staff more sites and stay open more days of the week.**

Despite having to limit operations, HSMCC expects to open 10 new interpretive sites between fiscal 2007 and 2012. **Exhibit 6** shows when these new capital projects are expected to become fully operational. The first two projects are expected in fiscal 2007 and are followed closely by another two projects in fiscal 2008. Four projects are scheduled to open in 2012.

Exhibit 7 shows the operating budget impact of these capital projects. The operating budget impact includes staff needed to interpret the sites, service contracts, landscaping, supplies/materials, and utilities. In fiscal 2011, the operating budget impact increases significantly due to costs associated with the proposed Maryland Heritage Interpretive Center and the Anne Arundel Hall Reconstruction. Additional increases are projected for fiscal 2012 when additional facilities open.

**Exhibit 5
Total Appropriation
Fiscal 2001 – 2007**



Source: Governor’s Budget Books

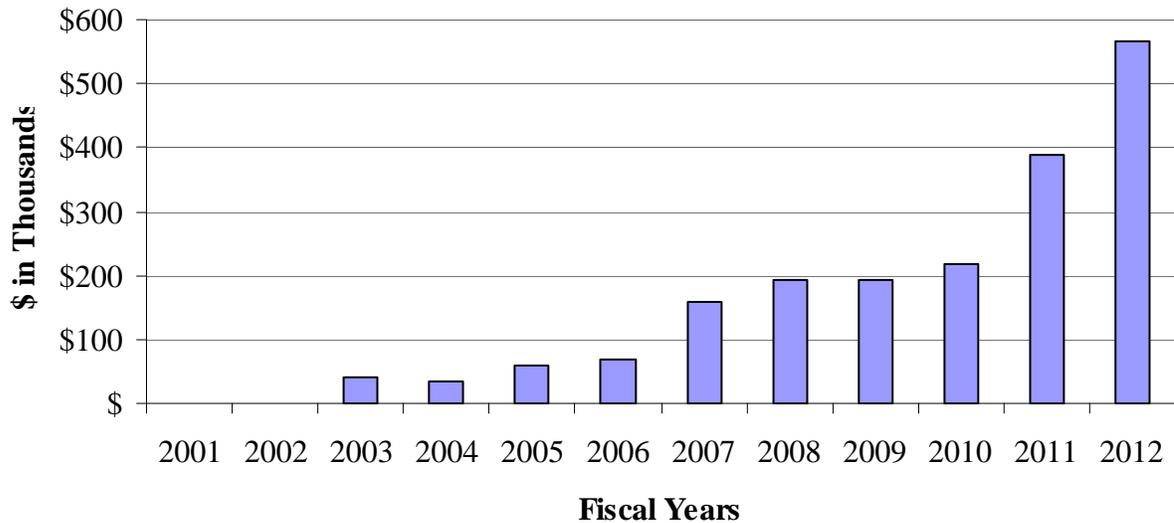
**Exhibit 6
Opening Years of New Sites
Fiscal 2007 – 2012 and Beyond**

<u>Maryland Heritage Project</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 and Beyond</u>
Maryland Dove Site Improvements	X					
Nuthead Print House Reconstruction	X					
St. John's Archaeological Site		X				
1667 Brick Chapel		X				
Chapel Field Cemetery			X			
Chapel Field Exhibit Building					X	
Maryland Heritage Interpretive Center						X
Anne Arundel Hall Reconstruction						X
Governor Leonard Calvert House						X
Mill Field Exhibit Area						X

Note: Opening years of new sites are estimates based on static operating budget requests.

Source: Historic St. Mary’s Commission

Exhibit 7
Capital Project Impacts on Operating Budget
Fiscal 2001 – 2011



Note: Fiscal 2001 to 2005 operating budget impacts are based on the final operating budget estimates for projects in the Governor’s Capital Budget Books. Fiscal 2006 to 2007 operating budget impacts are based on a combination of Governor’s Capital Budget Books and HSMCC information. Fiscal 2008 to 2012 are based solely on HSMCC information. Operating budget impacts include labor, service contracts, landscaping, supplies/materials, and utilities.

Source: Governor’s Capital Budget Books, Historic St. Mary’s City Commission

HSMCC faces a dilemma: where will it find the funds to operate its imminent 10-site capital improvement expansion. More sites opened to the public may translate to higher visitation levels and thus more revenue. However, HSMCC reports that the current annual maximum capacity only allows for 30,000 school children and 25,000 paid general public attendance. This is approximately 3,000 more people than is estimated for fiscal 2006 but would only provide approximately \$18,000 more in special fund revenue (\$6 per person average). Even if capacity constraints could be alleviated, HSMCC reports that it could only serve 40,000 a year in paid general public attendance, which would not provide enough additional revenue to cover the operating budget impacts from the new capital projects. Also, the question remains whether 40,000 paid general public attendance is even a possibility. HSMCC reports that museum attendance fell 6.2% between 1996 and 2003 for a consortium of 24 outdoor living history museums. Therefore, HSMCC must look to the Foundation, entrepreneurial activity, or the State general fund to offset the capital project impacts on its operating budget. Funding aside, HSMCC faces an even more important question: will enough people visit HSMCC to create a vibrant cultural site that justifies the expenses of the ongoing capital expenditure and a continued State subsidy of operating expense. **HSMCC should comment on how the opening of the proposed capital projects is expected to affect visitation levels, the amount of increased visitation revenue expected, and the overall plan for funding capital project impacts on the operating budget.**

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce general funds for Historic St. Mary’s City Commission. The proposed reduction provides a 12.6% increase over fiscal 2006.	\$ 50,000	GF
Total General Fund Reductions	\$ 50,000	

Current and Prior Year Budgets

Current and Prior Year Budgets Historic St. Mary's City Commission (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2005					
Legislative Appropriation	\$1,992	\$550	\$0	\$0	\$2,542
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	29	153	260	0	442
Reversions and Cancellations	0	-134	-242	0	-376
Actual Expenditures	\$2,021	\$569	\$18	\$0	\$2,608
Fiscal 2006					
Legislative Appropriation	\$1,905	\$573	\$0	\$0	\$2,478
Budget Amendments	22	110	220	0	352
Working Appropriation	\$1,927	\$683	\$220	\$0	\$2,830

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

Fiscal 2005

The general fund appropriation increased slightly due to allocation of funds for the cost-of-living adjustment to State agencies as authorized in the fiscal 2005 budget bill.

The small increase in special funds reflects a \$153,284 budget amendment for site maintenance and improvements (\$78,284) and web site and information technology upgrades, archive support, marketing, program supplies, and business enterprise operations (\$75,000). This budget amendment was offset by \$134,417 in cancellations, reflecting delays in several small maintenance projects as well as the late delivery of a new dump truck.

The federal fund appropriation increased by \$17,607. This change was the result of two budget amendments:

- \$200,000 from the National Endowment for an archaeological site exhibit of the Van Sweringen Inn and Coffee House, a colonial inn dating back to the 1680s; and
- \$59,904 from the Institute of Museum and Library Services for surveying the commission’s current collections.

Ultimately, the two projects described above moved more slowly than anticipated, prompting \$242,297 in federal fund cancellations. HSMCC anticipates that the majority of these grant funds will be expended in fiscal 2006.

Fiscal 2006

The general fund appropriation increased slightly (\$21,609) due to allocation of funds for the cost-of-living adjustment to State agencies as authorized in the fiscal 2006 budget bill.

The special fund appropriation increase reflects a \$110,316 budget amendment. The budget amendment increased funds by \$50,000 for the Maryland Heritage Museum planning contract; by \$43,162 for the purchase of a maintenance vehicle, other equipment, and a septic system; and by \$17,154 for archaeological conservation purposes.

The federal fund appropriation increased by \$219,500 to expend the remainder of the federal grants from fiscal 2005: National Endowment for the Humanities grant (\$189,500) and Institute of Museum and Library Services grant (\$30,000).

Audit Findings

Audit Period for Last Audit:	June 1, 2000 – June 30, 2003
Issue Date:	September 2003
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

The audit did not disclose any significant deficiencies in the design or operation of the commission’s internal control or any significant instances of noncompliance with applicable laws, rules, or regulations.

**Object/Fund Difference Report
Historic St Mary's City Commission**

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	35.00	35.00	35.00	0	0%
02 Contractual	7.40	8.80	9.50	0.70	8.0%
Total Positions	42.40	43.80	44.50	0.70	1.6%
Objects					
01 Salaries and Wages	\$ 1,853,734	\$ 1,859,772	\$ 1,908,966	\$ 49,194	2.6%
02 Technical & Spec Fees	180,755	208,208	335,448	127,240	61.1%
03 Communication	15,213	11,500	11,600	100	0.9%
04 Travel	11,082	3,000	4,000	1,000	33.3%
06 Fuel & Utilities	44,788	50,250	54,125	3,875	7.7%
07 Motor Vehicles	29,728	51,762	30,141	-21,621	-41.8%
08 Contractual Services	258,103	502,096	313,593	-188,503	-37.5%
09 Supplies & Materials	175,086	119,669	123,378	3,709	3.1%
10 Equip - Replacement	3,380	0	0	0	0.0%
11 Equip - Additional	14,782	4,500	0	-4,500	-100.0%
13 Fixed Charges	21,049	18,882	15,400	-3,482	-18.4%
Total Objects	\$ 2,607,700	\$ 2,829,639	\$ 2,796,651	-\$ 32,988	-1.2%
Funds					
01 General Fund	\$ 2,021,226	\$ 1,926,865	\$ 2,220,931	\$ 294,066	15.3%
03 Special Fund	568,867	683,274	575,720	-107,554	-15.7%
05 Federal Fund	17,607	219,500	0	-219,500	-100.0%
Total Funds	\$ 2,607,700	\$ 2,829,639	\$ 2,796,651	-\$ 32,988	-1.2%

**Fiscal Summary
Historic St Mary's City Commission**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
0002 Administration	\$ 683,765	\$ 913,323	\$ 782,058	-\$ 131,265	-14.4%
0003 Research	320,069	341,447	311,946	-29,501	-8.6%
0004 Public Programs	657,501	689,492	770,070	80,578	11.7%
0005 Plant Operations	660,587	623,416	664,549	41,133	6.6%
0006 Marketing and Communications	162,136	150,407	156,474	6,067	4.0%
0007 Museum Shop	122,398	111,554	111,554	0	0%
0008 Unknown Title	1,244	0	0	0	0%
Total Expenditures	\$ 2,607,700	\$ 2,829,639	\$ 2,796,651	-\$ 32,988	-1.2%
General Fund	\$ 2,021,226	\$ 1,926,865	\$ 2,220,931	\$ 294,066	15.3%
Special Fund	568,867	683,274	575,720	-107,554	-15.7%
Federal Fund	17,607	219,500	0	-219,500	-100.0%
Total Appropriations	\$ 2,607,700	\$ 2,829,639	\$ 2,796,651	-\$ 32,988	-1.2%