

D90U00
Canal Place Preservation and Development Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$211	\$185	\$140	-\$45	-24.4%
Contingent & Back of Bill Reductions	0	0	-49	-49	
Adjusted General Fund	\$211	\$185	\$91	-\$94	-50.7%
Special Fund	252	286	451	165	57.6%
Contingent & Back of Bill Reductions	0	0	-2	-2	
Adjusted Special Fund	\$252	\$286	\$449	\$163	57.0%
Adjusted Grand Total	\$463	\$471	\$540	\$69	14.6%

- After adjusting for across-the-board reductions, the fiscal 2010 allowance increases by approximately \$69,000. However, general funds decrease by \$94,000; a reduction of over 50% from the fiscal 2009 working appropriation.
- The across-the-board reductions include the elimination of one position and the agency's deferred compensation matching contribution.

Personnel Data

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Regular Positions	4.00	3.00	2.00	-1.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	4.00	3.00	2.00	-1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/08	0.00	0.00%

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

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- The authority has been reduced to two full-time regular positions in the fiscal 2010 allowance. One position was transferred to the Department of Business and Economic Development during fiscal 2008.
- One vacant position is eliminated by Section 18 of the budget bill, saving approximately \$49,000 in general funds.

Analysis in Brief

Major Trends

New Measures Better Reflect Number of Visitors: The authority has adopted new performance measures that focus on each attraction at Canal Place Preservation and Development Authority (Canal Place). The new measures seek to avoid counting visitors at area attractions that are not expressly tied to Canal Place. Further, the relative popularity of each attraction is evident within the new measures.

Small Gains and High Expectations for Non-State Funding: Canal Place generated \$12,700 more in sponsorships and grants in fiscal 2008 over fiscal 2007 largely due to a grant from the Maryland Heritage Areas Authority. Fundraising efforts are expected to lead to further increases in fiscal 2009 and 2010.

Issues

Phase Out of Canal Place General Fund Appropriation: The budget committees have expressed the intent that general funds for Canal Place be phased out. The phase out was anticipated to coincide with the completion of several State-funded capital projects. Cost containment actions have significantly reduced the general fund commitment in the fiscal 2010 allowance. **The Department of Legislative Services (DLS) recommends that Canal Place comment on its plans for becoming self-sustaining by fiscal 2012 and the extent to which the current economic downturn may affect these plans.**

Project Update: One State-funded project to enhance the entrance to Canal Place is included in the fiscal 2010 *Capital Improvement Program*. Private development is progressing as the hotel construction is currently underway with an expected opening in spring/summer 2009. **DLS recommends that Canal Place brief the budget committees on the status of its ongoing projects, especially the private development parcels, and how the projects will help self-sustainability.**

Recommended Actions

1. Concur with Governor's allowance.

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D90U00
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:

- preserve or assist in the preservation of buildings, structures, and settings of historical value;
- conduct activities to educate the public about the history and significance of the heritage area;
- provide recreational uses of the heritage area; and
- facilitate 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 shops and a plaza that hosts music and festival events. 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. A link that connects the interstate Allegheny Highlands Trail to Canal Place was completed in December 2006. This trail stretches from Pittsburgh to Washington, DC; the Maryland portion currently measures about 22 miles. Other projects at Canal Place include expanding the visitor center, overseeing private development of a hotel and restaurant, and improving parking and access for vehicles and pedestrians.

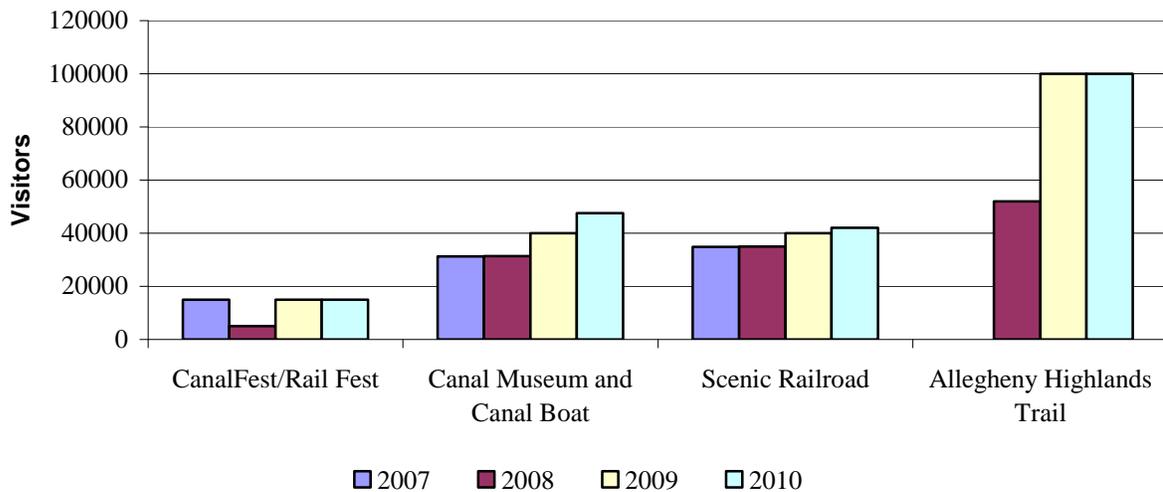
Performance Analysis: Managing for Results

New Measures Better Reflect Number of Visitors

New performance measures are included with the fiscal 2010 allowance that show the number of visitors to each of Canal Place's attractions. Previously, only one measure showed total visitor numbers. However, the previous totals included visitors to attractions that are outside the control of

the Canal Place Authority such as local museums and holiday events. Furthermore, it was determined that some of these outside figures were only estimates and did not reflect actual visitor counts. **Exhibit 1** shows total Canal Place visitors for the attractions where visitor count is quantifiable.

Exhibit 1
Canal Place Visitors
Fiscal 2007-2010



Source: Governor's Budget Books, Fiscal 2010

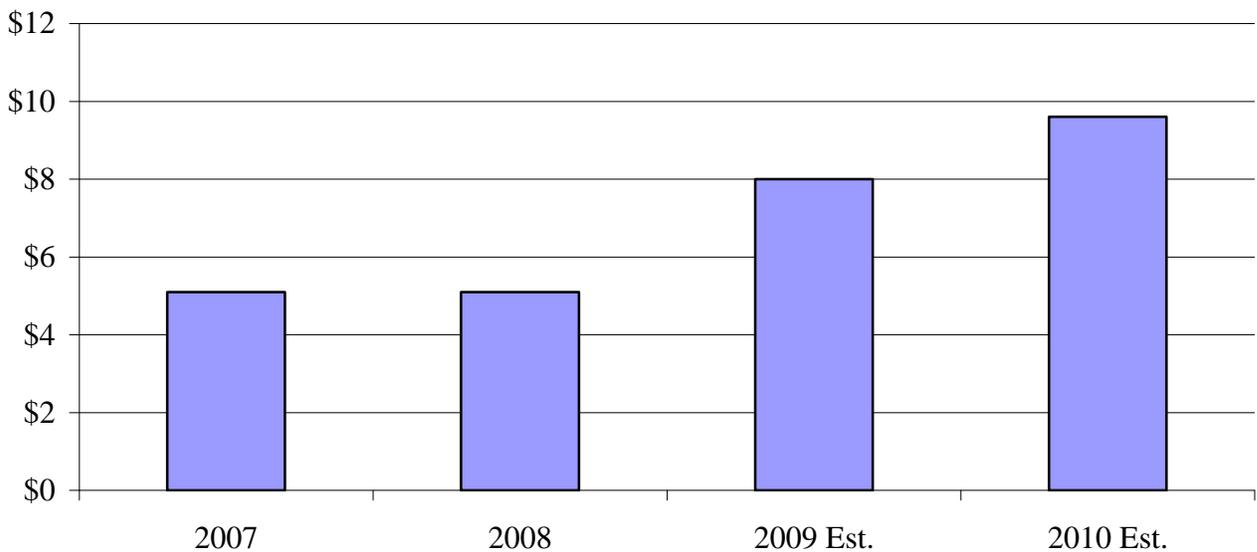
While measurement prior to fiscal 2007 for each attraction is unavailable, the current data shows that the newly opened Allegheny Highlands Trail is the most popular attraction. The trail has automated counters to measure the number of hikers and bikers on the trail. CanalFest/RailFest is a major event held annually by the agency on its Crescent Lawn festival grounds. Numbers for this event fell in fiscal 2008 as the agency was unable to attract a concert headliner, due to budgetary concerns, and, therefore, reduced the festival to one day. Canal Place expects to return the event to a three-day festival in fiscal 2009 and 2010.

The grounds at Canal Place may be rented to outside entities for events ranging from musical performances to company picnics to outdoor weddings. Many visitors who attend these planned events also visit Canal Place attractions. In an effort to avoid double counting these visitors, Canal Place altered its measures to show the number of events, not the actual count of attendees to events. The number of events average about 38 each year for an average annual revenue of about \$25,000.

The recalculation of the number of visitors to Canal Place changes the estimate of total economic impact. It is lower than the estimate in prior years as the agency seeks to be more precise in its measurement.

Exhibit 2 shows that visitors to CanalFest/RailFest, the Scenic Railroad, and the Allegheny Highlands Trail created an economic impact of \$5.1 million in fiscal 2008. The agency expects the impact to increase significantly in fiscal 2009 and 2010, largely due to increases in expected hikers and bikers and associated spending at the nine retail establishments.

Exhibit 2
Canal Place Economic Impact
Fiscal 2007-2010
(\$ in Millions)



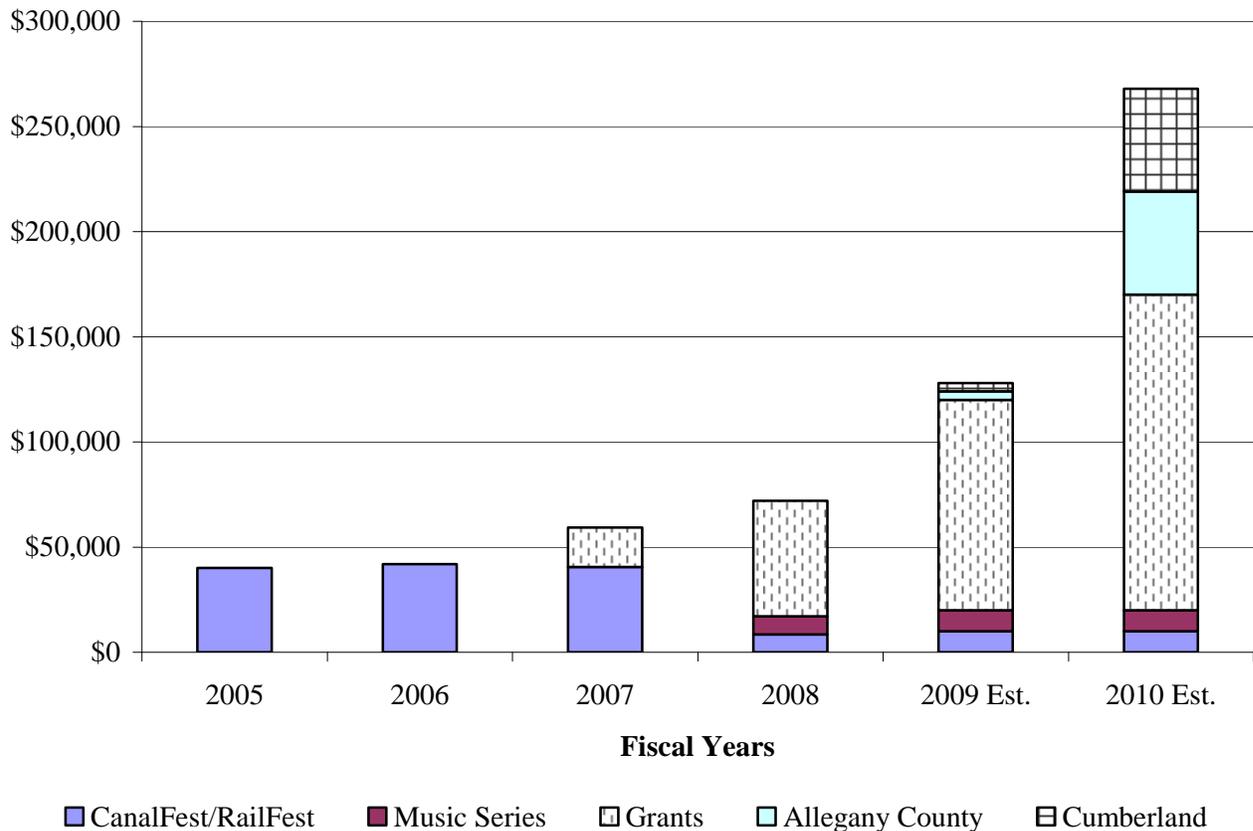
Note: Data is based on the Travel Industry of America’s calculation of average dollars spent per visitor.

Source: Governor’s Budget Books, Fiscal 2010

Small Gains and High Expectations for Non-State Funding

Canal Place has a goal to secure public and private support through corporate sponsorship, community membership, and private donations. The agency’s efforts in this area are beginning to show positive results. **Exhibit 3** shows that from fiscal 2006 to 2007, fundraising increased by about \$17,000. Fiscal 2008 again shows growth of about \$12,700. The increase is largely due to a grant from the Maryland Heritage Area Authority.

**Exhibit 3
Canal Place Fundraising
Sponsorships and Grants
Fiscal 2005-2010**



Source: Governor’s Budget Books, Fiscal 2006-2010

The agency has high expectation for its fundraising efforts in fiscal 2009 and 2010. Canal Place expects to fulfill an agreement with the local authorities to share a portion (2%) of the local hotel tax generated by the new hotel to be located on Parcel A of the authority’s grounds. This is expected to add close to \$100,000 to fundraising totals by fiscal 2010. The agency is also planning an aggressive approach in pursuing various grant awards in the future.

The Department of Legislative Services (DLS) recommends that Canal Place comment on the prospects for increasing visitor attendance and fundraising given the current economic climate.

Fiscal 2009 Actions

Impact of Cost Containment

Fiscal 2009 cost containment efforts decreased the original appropriation by \$9,959 due to statewide reductions to health insurance and retiree contributions.

Proposed Budget

After contingent reductions, the fiscal 2010 allowance is \$539,999, an increase of \$68,988, or 14.6%, over the fiscal 2009 working appropriation. **Exhibit 4** shows the significant changes to the authority's budget.

Impact of Cost Containment

Contingent across-the-board reductions are affected in the authority's budget to reduce 1 position and \$48,784 in general funds as part of the abolition of 1,000 positions and \$1,800 in special funds to delete the deferred compensation match.

General Agency Expenses

The fiscal 2010 allowance includes approximately \$57,000 in general and special funds to reclassify two positions. Specifically, the executive director position was held vacant for several years as its responsibilities were filled through a borrowed position from the Department of Business and Economic Development. As a vacant position, the salary was adjusted downward. The reclassification funds in the allowance allow the agency to pay a competitive salary. The second position was also vacant. The agency had planned to fill the position with a person with expertise in fundraising and grant writing. However, this position and total funding are eliminated by language in Section 18 of the fiscal 2010 budget bill. Also within personnel expenses, turnover is increased to zero as no vacancies are expected with the two remaining positions.

Among nonpersonnel changes, fuel and utilities increase by approximately \$10,000, and janitorial and ground maintenance expenses increase by \$12,000. The increase in funds for legal services reflects the actual cost to pay the Maryland Department of Planning for a shared Assistant Attorney General. Finally, the agency was able to reduce expected advertising expenses by \$9,000 by partnering with Allegany County Tourism.

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>
2009 Working Appropriation	\$185	\$286	\$471
2010 Allowance	<u>140</u>	<u>451</u>	<u>591</u>
Amount Change	-\$45	\$165	\$120
Percent Change	-24.4%	57.6%	25.4%
 Contingent Reductions	 -\$49	 -\$2	 -\$51
Adjusted Change	-\$94	\$163	\$69
Adjusted Percent Change	-50.7%	57.0%	14.6%

Where It Goes:

Personnel Expenses

Abolished position (Back of the Bill).....	-\$49
Reclassification.....	57
Increments and other compensation	11
Employee retirement.....	3
Turnover adjustments	40
Other fringe benefit adjustments	-10

Other Changes

Fuel and utilities	10
Janitorial and other facilities maintenance.....	12
Legal services	12
Landscaping and office equipment.....	5
Decline in advertising	-9
Decline in insurance costs	-5
Building improvements	-5
Other	-3

Total	\$69
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Note: Numbers may not sum to total due to rounding.

Issues

1. Phase Out of Canal Place General Fund Appropriation

In budget bill language from the 2004 legislative session, the General Assembly expressed intent that State support for Canal Place be phased out when State funded capital projects are complete. All originally planned State supported projects are complete; however the fiscal 2010 *Capital Improvement Program* includes funds for additional improvements to be spent in fiscal 2011.

Consistent with legislative intent, the General Assembly reduced general funds by \$100,000 in fiscal 2008, bringing the legislative appropriation to \$207,885. Similarly, for fiscal 2009, the General Assembly reduced the general fund appropriation by \$40,000. After cost containment, the fiscal 2009 working appropriation is \$185,087 in general funds.

A gradual phase out is continuing in fiscal 2010. Before across-the-board reductions, the original allowance for the agency was \$139,951 in general funds. However, after the cost containment reductions, the general fund allowance for fiscal 2010 is \$91,167.

Canal Place is increasing its special funds to compensate for the general fund phase out. Most special funds come from lease payments from the retailers and other organizations that rent space in Canal Place buildings. Special funds also come from parking fees, rental of the stage and other areas of the Crescent Lawn festival grounds, and grants. The fiscal 2010 allowance reflects an increase of \$164,708 in special funds. The increase is specifically attributable to an expected increase in grant revenue and in shared hotel tax revenue. Based on the revenue projections, the agency expects to be completely self-sustaining in fiscal 2012.

DLS recommends that Canal Place comment on its plans for becoming self-sustaining by fiscal 2012 and the extent to which the current economic downturn may affect these plans.

2. Project Update

Since construction efforts began in 1996, 22 projects have been completed and 4 remain to be completed. Canal Place managed 19 of the finished projects, 1 was managed by the city of Cumberland (a sewer line project), and 2 were managed by the National Park Service (an exhibit center and wayside exhibits).

As mentioned above, one more Canal Place managed project is included in the fiscal 2010 *Capital Improvement Program* to receive funding in fiscal 2011 and 2012. The authority would receive \$2 million in general obligation bond funding to construct a main entrance to the Canal Place Heritage Area. The project would include the creation of 75 additional parking spaces, and signage consistent with the Canal Place plan and design enhancements of a bridge structure.

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The second of the four unfinished projects is the private development of two parcels of land on the agency's grounds. First is a planned 108-room hotel to be constructed on Parcel A. The project is currently underway with an expected opening of May/June 2009 under the banner of Fairfield Inn & Suites. Secondly, a developer is on board for the development of a restaurant and an office building within the refurbished Footer Dye Works property. The developer is currently in discussions with national and regional restaurant chains and with potential tenants for the office complex.

The third project is the C&O Canal project, which is managed by the U.S. Army Corps of Engineers and the National Park Service. The project will entail the re-watering of the canal to allow for boat travel. The fourth unfinished project is the railroad bridge over the canal. However, this project has been put on hold pending a decision by CSX to use an alternative railroad route.

DLS recommends that Canal Place brief the budget committees on the occupancy of its currently operating facilities and on the status of its ongoing projects, especially the private development parcels, and how the projects will help self-sustainability.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Canal Place Preservation 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 2008					
Legislative Appropriation	\$208	\$254	\$0	\$0	\$462
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	3	82	0	0	85
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-84	0	0	-84
Actual Expenditures	\$211	\$252	\$0	\$0	\$463
Fiscal 2009					
Legislative Appropriation	\$193	\$286	\$0	\$0	\$479
Cost Containment	-10	0	0	0	-10
Budget Amendments	2	0	0	0	2
Working Appropriation	\$185	\$286	\$0	\$0	\$471

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

Fiscal 2008

The original appropriation was increased by an additional \$2,906 for a cost-of-living adjustment for authority employees.

The original fiscal 2008 special fund appropriation was increased by \$82,465 due to a budget amendment for various operating expenses. The funds represent grant funding from the Maryland Heritage Areas Authority and an insurance payment for storm damage to one of the authority's buildings. However, the authority canceled \$84,316 in special funds due to various lower than anticipated expenses.

Fiscal 2009

The fiscal 2009 appropriation was increased by \$1,657 due to the cost-of-living adjustment. However, cost containment efforts decreased the original appropriation by \$9,959 due to statewide reductions to health insurance and retiree contributions.

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	4.00	3.00	3.00	0	0%
Total Positions	4.00	3.00	3.00	0	0%
Objects					
01 Salaries and Wages	\$ 155,094	\$ 138,264	\$ 238,966	\$ 100,702	72.8%
03 Communication	11,088	5,500	10,211	4,711	85.7%
04 Travel	174	200	300	100	50.0%
06 Fuel and Utilities	102,273	112,576	122,613	10,037	8.9%
07 Motor Vehicles	515	575	885	310	53.9%
08 Contractual Services	156,849	169,089	179,770	10,681	6.3%
09 Supplies and Materials	13,832	21,000	17,850	-3,150	-15.0%
10 Equipment – Replacement	5,537	0	5,700	5,700	N/A
11 Equipment – Additional	0	0	500	500	N/A
13 Fixed Charges	13,573	9,272	4,088	-5,184	-55.9%
14 Land and Structures	3,789	14,535	9,700	-4,835	-33.3%
Total Objects	\$ 462,724	\$ 471,011	\$ 590,583	\$ 119,572	25.4%
Funds					
01 General Fund	\$ 210,791	\$ 185,087	\$ 139,951	-\$ 45,136	-24.4%
03 Special Fund	251,933	285,924	450,632	164,708	57.6%
Total Funds	\$ 462,724	\$ 471,011	\$ 590,583	\$ 119,572	25.4%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.