

D90U00
Canal Place Preservation and Development Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$33	\$0	\$0	\$0	
Adjusted General Fund	\$33	\$0	\$0	\$0	
Special Fund	503	558	543	-15	-2.7%
Adjusted Special Fund	\$503	\$558	\$543	-\$15	-2.7%
Adjusted Grand Total	\$536	\$558	\$543	-\$15	-2.7%

- Reflecting legislative intent, for the second year, general funds are not provided to the Canal Place Preservation and Development Authority (Canal Place) in the fiscal 2013 allowance. Special funds are declining by approximately \$15,000, or 2.7%, from the fiscal 2012 working appropriation.

Personnel Data

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</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 12/31/11	1.00	33.33%

- The number of authorized positions remains constant at 3 positions; however, there is a 1 long-term vacancy.

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

For further information contact: Jody J. Sprinkle

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Number of Visitors Increase: Canal Place coordinates with local tourism officials to promote its attractions. The Allegheny Highlands Trail and the National Park Service Canal Museum and Canal Boat showed significant increases in visitors in fiscal 2011.

Fundraising Slows in Fiscal 2011: Canal Place has a goal to ensure public and private support through corporate sponsorships, community membership, private donations, and grants. Fundraising has generally increased since fiscal 2007; however, there was a decrease in grants in fiscal 2011.

Issues

Project Update – Delays: The authority continues to work toward developing parcels of its grounds including attracting tenants to its Footer Dye Works building and attracting a restaurant. Other projects include the rewatering of the Chesapeake and Ohio Canal. These projects have shown virtually no progress in the past year. **The Department of Legislative Services recommends that the authority comment on the numerous delays in the remaining projects and the impact that such delays have on the performance of Canal Place.**

Recommended Actions

1. Concur with Governor's allowance.

Updates

Report on Transition to Non-State Ownership: The 2011 *Joint Chairmen's Report* included committee narrative that requested the Canal Place Preservation and Development Authority to submit a report on the feasibility of transitioning the authority to non-State ownership. Within the report, the authority recommends, with agreement of the Department of Budget and Management, that it remain a State agency.

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:

- preserving or assisting in the preservation of buildings, structures, and settings 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, only five shops are open for business. A canal boat replica is on display, and train rides are available from the historic Western Maryland Railway Station.

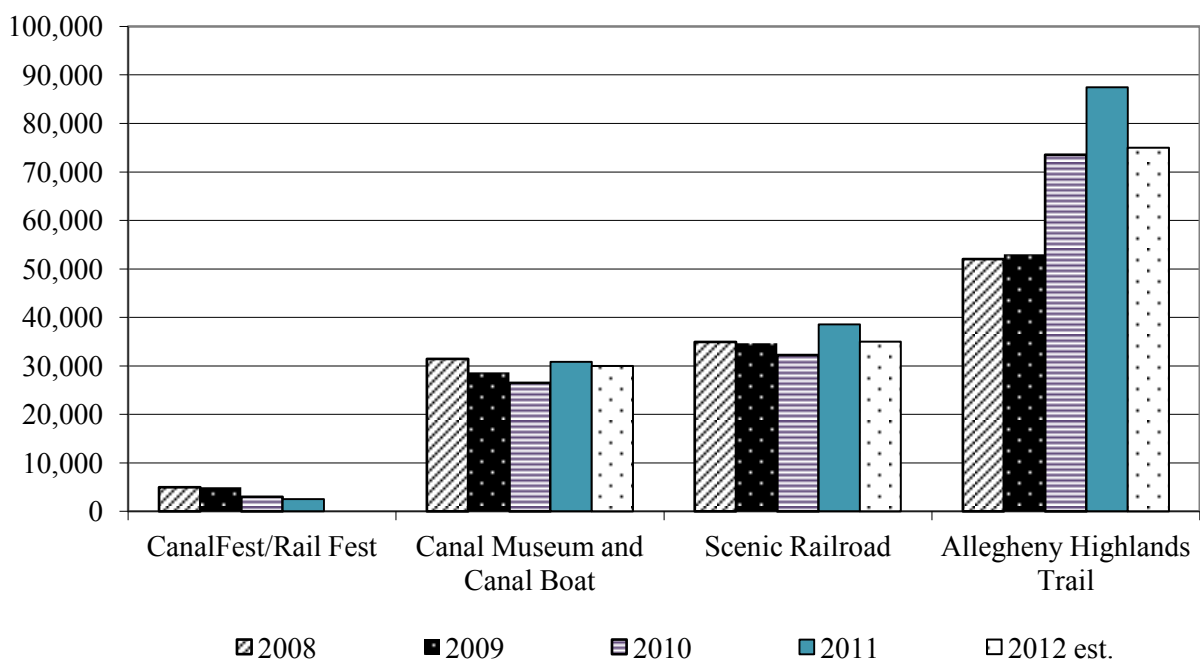
Major festival grounds have been completed and are a focal point of the area. The interstate Allegheny Highlands Trail was linked to Canal Place in December 2006. This trail stretches from Pittsburgh to Washington, DC; the Maryland portion of the Allegheny Highlands Trail currently measures about 22 miles. Other planned projects at Canal Place include the opening of a privately developed restaurant and improving parking and access for vehicles and pedestrians.

Performance Analysis: Managing for Results

Number of Visitors Increase

In order to gauge the popularity of each attraction at Canal Place, the authority began to measure visitor attendance separately in 2007. **Exhibit 1** shows total Canal Place visitors for the attractions where visitor count is quantifiable.

Exhibit 1
Canal Place Visitors
Fiscal 2008-2012



Source: Governor's Budget Books, Fiscal 2013

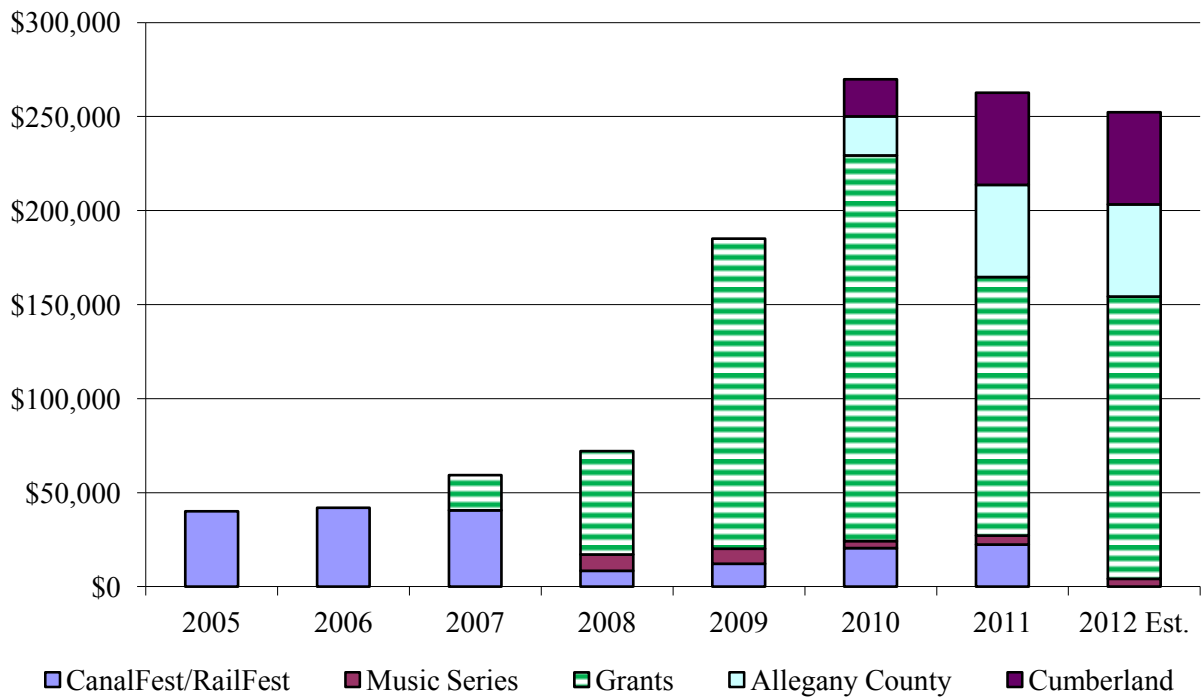
The current data shows that the Allegheny Highlands trail continues to be the most popular attraction. It drew over 87,400 visitors in fiscal 2011, an increase of 19.5% from the prior year. Other attractions showed positive growth as well. Over 30,800 visitors went through the turnstiles at the National Park Service Canal Museum and Canal Boat in fiscal 2011. This is an increase of 16.2% from fiscal 2010. However, attendance fell for the third year at the annual Canal Fest/Rail Fest.

Despite the total growth in visitors, the authority has kept estimates for the out-years at a conservative level.

Fundraising Slows in Fiscal 2011

Canal Place has a goal to ensure public and private support through corporate sponsorships, community membership, and private donations and grants. **Exhibit 2** shows that fundraising has generally increased since fiscal 2007; however, there was a decrease in grants in fiscal 2011. Grants declined primarily due to a one-time grant in fiscal 2010 from the Maryland Historical Trust to help refurbish the Footer Dye Works building.

Exhibit 2
Canal Place Fundraising
Sponsorships and Grants
Fiscal 2005-2012



Source: Governor's Budget Books, Fiscal 2006-2013

Beginning in fiscal 2010, the authority began receiving funds from its agreement with local jurisdictions to share a portion of the local hotel tax generated by the new hotel that opened on the grounds in August 2009. Fiscal 2011 was the first full year of these revenues. The agency received \$98,000 from the agreement. The agency plans to continue to aggressively pursue other grant and revenue opportunities in the future.

Proposed Budget

Reflecting legislative intent, there are no general funds in the fiscal 2013 allowance. As shown in **Exhibit 3**, special funds decrease by \$15,000, or 2.7% from the fiscal 2012 working appropriation. This is, in large part, due to an expected decrease in fundraising.

**Exhibit 3
Proposed Budget
Canal Place Preservation and Development Authority
(\$ in Thousands)**

How Much It Grows:	General <u>Fund</u>	Special <u>Fund</u>	<u>Total</u>
2012 Working Appropriation	\$0	\$558	\$558
2013 Allowance	<u>0</u>	<u>543</u>	<u>543</u>
Amount Change	\$0	-\$15	-\$15
Percent Change	0%	-2.7%	-2.7%
Contingent Reductions	\$0	\$0	\$0
Adjusted Change	\$0	-\$15	-\$15
Adjusted Percent Change	0	-2.7%	-2.7%

Where It Goes:

Personnel Expenses

Salary adjustment due to vacancies.....	-\$19
One-time bonus of \$750 per employee in fiscal 2012	-2
Employee retirement system.....	-1
Other fringe benefit adjustments.....	-2

Other Changes

Maintenance and janitorial services.....	10
Utility costs	3
Statewide cost allocations	2
Insurance	4
Communication costs.....	-2
Equipment repairs	-3
Supplies and equipment	-5
Total	-\$15

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

No General Funds in Allowance for Second Year

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, there is one project that is expected to appear in the *Capital Improvement Program* sometime after 2016 to construct a main entrance to the Canal Place Heritage Area.

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 support by \$40,000. After cost containment, the fiscal 2009 appropriation was \$165,114. General fund support was further reduced in fiscal 2010 and 2011 when it fell to \$32,962. There were no general funds provided in the fiscal 2012 appropriation, and again, there are no general funds in the fiscal 2013 allowance.

Canal Place is continuing to rely on special funds to compensate for the elimination of general funds. 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 grants. Beginning in fiscal 2010, special funds also include a share of the hotel tax revenues as per the agreement with the localities.

General Agency Expenses

The majority of the changes in the fiscal 2013 allowance relate to decreases in personnel expenses. Salaries decrease by about \$19,000 primarily due to the expectation of vacancies within the authority in fiscal 2013. The authority is holding vacancies open in an attempt to save costs due to an expected small decline in its ability to raise special funds. Also, the allowance for personnel expenses declines due to the removal of the one-time \$750 per employee bonus in fiscal 2012.

Mitigating the declining personnel costs is an increase in the authority's maintenance budget. The authority advises that it is anticipating increased repairs to some of the aging infrastructure on its grounds. The fiscal 2013 allowance for utility, communications, fuel, and supply costs are all based on actual expenditures from fiscal 2011.

Issues

1. Project Update – Delays

Since construction efforts began in 1996, 22 projects have been completed, 1 is partially complete, and 3 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).

The remaining three projects have experienced a variety of delays toward completion. The development of a restaurant and an office building within the refurbished Footer Dye Works property have been in the planning stage for several years. In fiscal 2011, there was a developer on board for both components of the property. However, in fiscal 2012, the development of the Footer Dye building is back under the purview of the authority. The developer found it was unable to utilize the property but still anticipates opening a restaurant with at least 100 seats in calendar 2013. The authority plans to issue a request for proposal for the Footer Dye building by spring 2012.

Canal Place had expected \$2 million in general obligation bond funding to construct a main entrance to the Canal Place Heritage Area beginning in fiscal 2011. The project would have included the creation of 75 additional parking spaces and signage consistent with the Canal Place plan, as well as design enhancements of a bridge structure. However, this project has been postponed indefinitely as the authority concentrates on current operations and ongoing projects.

Another ongoing 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 rewatering of the canal to allow for boat travel. There is also a project to build a railroad bridge over, or a tunnel under, the finished canal. However, this project is still on hold as no local, State, or federal funding is anticipated for the project in the near future.

The Department of Legislative Services recommends that the authority comment on the numerous delays in the remaining projects and the impact that such delays have on the performance of Canal Place.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Report on Transition to Non-State Ownership

The 2011 *Joint Chairmen's Report* included committee narrative that requested the Canal Place Preservation and Development Authority to submit a report on the feasibility of transitioning the authority to non-State ownership. The narrative asked that the report consider the impact on the operations of the authority and the potential benefits and drawbacks of the transition.

The authority submitted its report on February 1, 2012. The report states that the authority is currently in a position of transition. As of this February, the authority will be without an executive director, leaving only 1 filled position of 3 authorized positions. Also, the authority is in the process of updating the management plan for the heritage area, which will incorporate expanded boundaries within Allegany County. Finally, the hotel tax sharing agreement with the local jurisdictions has not yet been renewed past June 30, 2012.

The report concludes that there would be more drawbacks than benefits of a transition to non-State ownership. Further, it concludes that the local jurisdictions would not be in a position to assume responsibility for ownership or maintenance of the property held by the authority. The authority recommends, with agreement of the Department of Budget and Management, that it remain a State agency.

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 2011					
Legislative Appropriation	\$33	\$544	\$0	\$0	\$577
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-42	0	0	-42
Actual Expenditures	\$33	\$503	\$0	\$0	\$536
Fiscal 2012					
Legislative Appropriation	\$0	\$556	\$0	\$0	\$556
Budget Amendments	0	2	0	0	2
Working Appropriation	\$0	\$558	\$0	\$0	\$558

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

D90U00 – Canal Place Preservation and Development Authority

Fiscal 2011

A portion of the original special fund appropriation (\$41,672) was cancelled due to lower than budgeted personnel costs because of an unexpected vacancy.

Fiscal 2012

The original fiscal 2012 appropriation was increased due to a budget amendment that allocated \$1,614 in special funds to the authority for the one-time \$750 per employee bonus.

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 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	\$ 151,011	\$ 186,563	\$ 162,997	-\$ 23,566	-12.6%
03 Communication	9,778	12,102	9,674	-2,428	-20.1%
04 Travel	917	500	1,000	500	100.0%
06 Fuel and Utilities	84,526	87,180	90,083	2,903	3.3%
07 Motor Vehicles	1,667	1,770	1,770	0	0%
08 Contractual Services	245,133	229,431	238,797	9,366	4.1%
09 Supplies and Materials	17,321	23,350	20,800	-2,550	-10.9%
10 Equipment – Replacement	1,079	3,750	1,350	-2,400	-64.0%
11 Equipment – Additional	3,529	1,500	1,000	-500	-33.3%
13 Fixed Charges	5,572	5,227	8,902	3,675	70.3%
14 Land and Structures	15,215	6,500	6,500	0	0%
Total Objects	\$ 535,748	\$ 557,873	\$ 542,873	-\$ 15,000	-2.7%
Funds					
01 General Fund	\$ 32,962	\$ 0	\$ 0	\$ 0	0.0%
03 Special Fund	502,786	557,873	542,873	-15,000	-2.7%
Total Funds	\$ 535,748	\$ 557,873	\$ 542,873	-\$ 15,000	-2.7%

Note: The fiscal 2012 appropriation does not include deficiencies.