

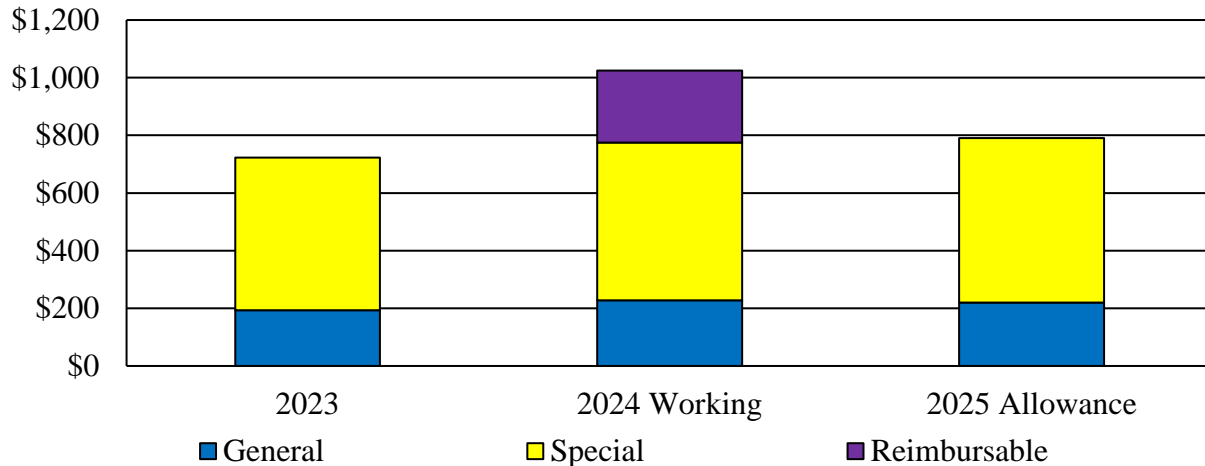
D90U00
Canal Place Preservation and Development Authority

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 is 1.67 square miles and is comprised of over 1,000 acres in Cumberland and a smaller area in the historic core of Frostburg. Canal Place is the 11-acre State-owned property comprised of lands adjacent to the Chesapeake and Ohio Canal in Cumberland. Canal Place’s goals are to develop and implement educational 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 Canal Place and within the Heritage Area; and coordinate with stakeholders to develop and promote Canal Place as a heritage park.

Operating Budget Summary

Fiscal 2025 Budget Decreases \$234,000, or 22.9%, to \$790,000
(\$ in Thousands)

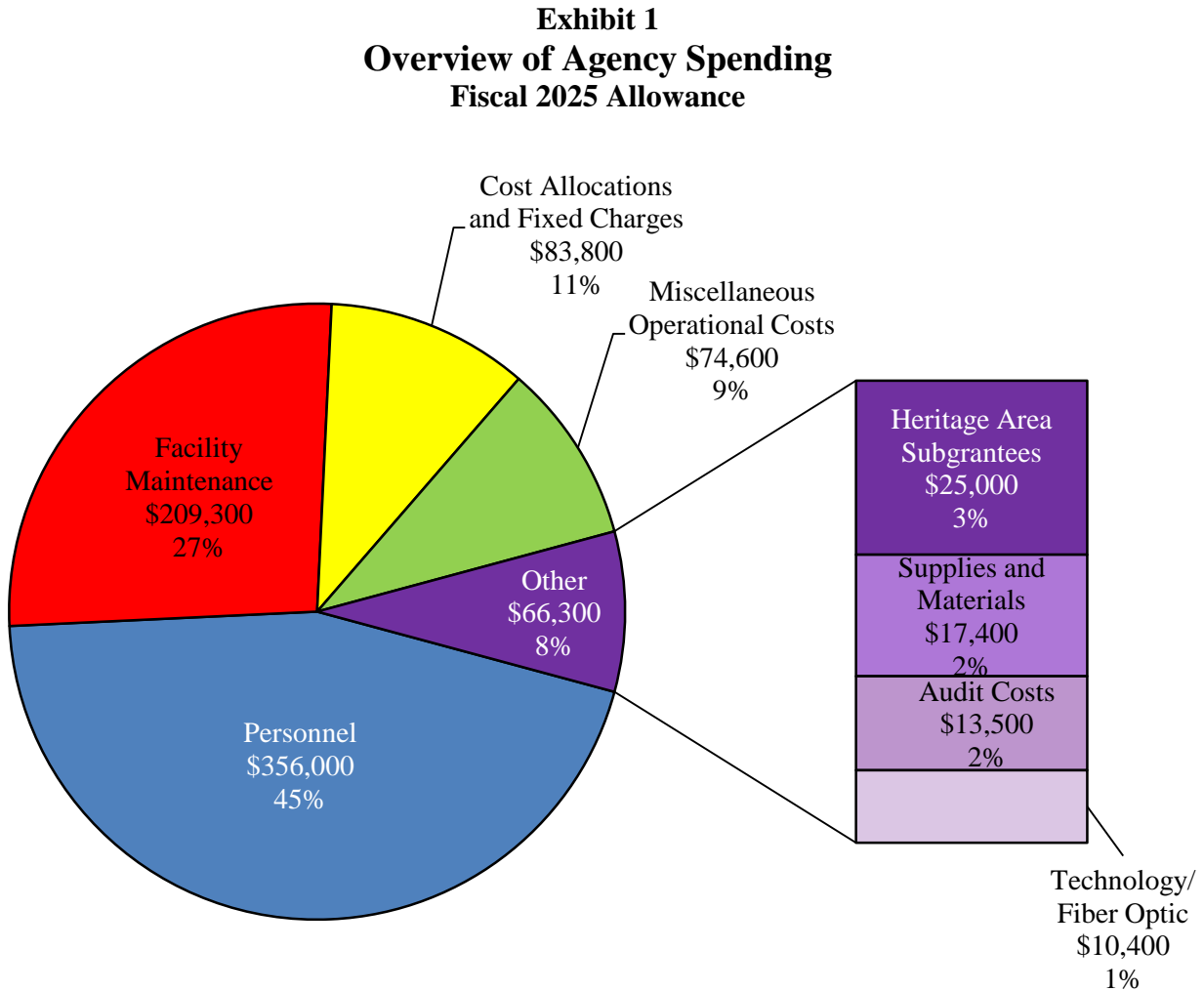


Note: The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

- The overall budget decreases due to the offsetting of a one-time grant in fiscal 2024 to support the River Park project.

Fiscal 2025 Overview of Agency Spending

As shown in **Exhibit 1**, 72% of the fiscal 2025 budget is used for personnel expenses and general preservation and maintenance of the agency’s facilities.



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

Proposed Budget Change

Canal Place’s fiscal 2025 allowance decreases by \$234,000 compared to the fiscal 2024 working appropriation, as shown in **Exhibit 2**. Loans and grants are the primary drivers of the budget change. In fiscal 2024, Canal Place made the final repayment to the Maryland Energy Administration via the State Agency Loan Program, which supported on-site lighting and other infrastructure upgrades. The fiscal 2024 working appropriation includes a one-time grant of \$250,000 from the federal Economic Development Administration, funneled through the Department of Commerce, to support the engineering and design phase of the River Park project. Canal Place also had fiber optic capabilities installed in fiscal 2024, resulting in a decrease of one-time installation costs but an increase in expenses for operations and additional equipment. Turnover expectancy for contractual positions is eliminated due to the single contractual position being filled in fiscal 2024.

Exhibit 2
Proposed Budget
Canal Place Preservation and Development Authority
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2023 Actual	\$193	\$530	\$0	\$723
Fiscal 2024 Working Appropriation	228	547	250	1,025
Fiscal 2025 Allowance	<u>220</u>	<u>570</u>	<u>0</u>	<u>790</u>
Fiscal 2024-2025 Amount Change	-\$8	\$24	-\$250	-\$234
Fiscal 2024-2025 Percent Change	-3.5%	4.3%	-100.0%	-22.9%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2024 COLA and increments	\$17
Loans and Grants	
Loan repayment to Maryland Energy Administration	-14
One-time grant from the Economic Development Administration	-250
Fiber Optic Project	
Operations expenses	3
Ancillary equipment	8
Installation	-35

D90U00 – Canal Place Preservation and Development Authority

Where It Goes:	<u>Change</u>
Other Changes	
Janitorial and maintenance services.....	13
Contractual turnover eliminated due to filled contractual position	12
Statewide services cost allocation.....	9
Other	3
Total	-\$234

COLA: cost-of-living adjustment

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Personnel Data

	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 24-25</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	3.00	3.00	3.00	0.00
Contractual FTEs	<u>0.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	3.00	4.00	4.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/23	0.00	n/a
Vacancies Above/Below Turnover	0.00	

Key Observations

1. Legislation Proposes Fundamental Changes to Canal Place

SB 1070 of 2024 would, if enacted, dramatically change the structure, governance, and powers of Canal Place.

Background

The Passages of the Western Potomac Heritage Area, which is administered by Canal Place, was created by statute in 1993 and was the first of the 13 heritage areas in Maryland. While the Passages of the Western Potomac exists within the Maryland Heritage Areas Program, it is unique in that it is the only heritage area that also functions as an instrumentality of the State. As an independent Executive Branch unit, Canal Place has 3 regular full-time staff and one contractual staff to support its efforts in administering the heritage area. The authority is also overseen by a nine-member Canal Place Development Board.

While Canal Place’s future has been studied multiple times in recent years per legislation, these efforts did not produce concrete recommendations. SB 1070 is the first formal introduction of a major restructuring plan since Canal Place’s founding.

Provisions in the Bill

As introduced, the legislation fundamentally alters various aspects of Canal Place’s structure and functions. If enacted, the bill would:

- rename the Canal Place Preservation and Development Authority to the Passages of the Western Potomac Heritage Area Authority;
- replace the current board with a codified Canal Place Preservation and Development Board, consisting of:
 - the president of the Allegany County Commissioners or their designee;
 - the Mayor of Cumberland or their designee; and
 - a member appointed by the Allegany County delegation of the Maryland General Assembly;
- require the board to enter into agreements to delegate management of various properties;

D90U00 – Canal Place Preservation and Development Authority

- establish the Canal Place Preservation and Development Board Financing Fund as a special, nonlapsing fund; and
- limit the ability of Canal Place to hire and retain personnel.

The bill would establish the Passages of the Western Potomac Heritage Area Authority to replace Canal Place. The new authority would maintain status as an instrumentality of the State and independent Executive Branch unit, presumably receiving an appropriation of general funds for operations. However, the budgetary needs for the new authority would likely be significantly less than current needs, due to the delegation of the management responsibilities of the Canal Place properties to other entities. The authorization to hire personnel is removed from the authority's purview and instead given to the newly formed board. However, board members may not be compensated. The legislation additionally establishes a special, nonlapsing financing fund to be administered by the board. All revenues, donations, and other income associated with the heritage area will go into the fund, and all board-related expenditures will come out of the fund. Resources in the fund cannot be reverted to other State accounts.

The primary programmatic change from the legislation involves shifting management responsibilities of the various properties considered part of the Canal Place portfolio out of the authority's direct purview. Instead, the legislation requires that the newly constituted board enter into agreements with other specified entities to delegate management of the properties:

- Western Maryland Railway Train Station and parking lots – Department of General Services (DGS);
- The Shops at Canal Place – Cumberland Economic Development Corporation;
- Festival Grounds – City of Cumberland;
- Footer Dye Works and Fairfield Inn – DGS; and
- River Park Project – Allegany County Commissioners.

While management of existing properties and projects and financial considerations are addressed in the bill, the legislation would fundamentally change the governance and structure of Canal Place, including removing much of the authority and decision-making power from the authority, a State entity, into the hands of the new board, which is comprised entirely of elected officials. **The agency should comment on the proposed legislation, noting any anticipated operational or logistical challenges with implementation. In addition, Canal Place should note any alterations that, if enacted, that may negatively impact capital investments already made by the State in various Canal Place properties or projects.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

- **Annual Audits Back on Track:** Continued delays associated with securing a contractor caused the agency to fall behind on completion of required annual audits, as noted by the Office of Legislative Audits in calendar 2021. However, budgetary issues were resolved during the fiscal 2023 budget cycle, and audit reports covering fiscal 2019, 2020, and 2021 were completed and approved in February 2023. In February 2024, the agency secured a vendor to complete the fiscal 2022 and 2023 audits. Canal Place has required the vendor to complete both audits during fiscal 2024.
- **River Park at Canal Place Continues to Progress:** Progression on the River Park at Canal Place project continues. The 30% Preliminary Engineering Report is nearly complete. Thus far, the report has identified next steps, permitting agencies, and total project cost, which is now estimated at \$25 million.
 - Thus far, Canal Place has secured a total of \$8.1 million in project funding from various federal, State, and local sources. While the agency did not request funding in the fiscal 2025 capital budget, \$1.5 million allocated in the fiscal 2024 capital program serves as a State match for the \$6 million earmark received from the federal Transportation Alternatives program via the State Highway Administration.
 - The award ensures that sufficient funding is available to complete the 100% design and engineering study, which will be advertised in April 2024.
 - The agency recently completed an economic impact study, which reported an estimated additional 1 million annual visitors to the county and nearly \$42 million in additional State and local tax revenue from River Park visitors.
- **Upgrades Allow for Increased Transparency and Modernization:** Canal Place has made various technological upgrades in the last year to modernize its facilities and achieve full compliance with new Open Meetings Act (OMA) requirements.
 - Chapter 346 of 2022 removed exemptions for numerous State agencies and organizations, including Canal Place, from adhering to the requirements of the OMA. Beginning in October 2022, Canal Place was therefore subject to certain requirements, including making agendas and minutes of open meetings publicly available and livestreaming portions of board meetings held in open session.
 - Technological constraints and limited staff prohibited the agency from livestreaming meetings or having a centralized repository on its website for meeting documents. The agency worked around these issues by posting a Zoom link where the public can join meetings and posting documents as its web capabilities allowed.

D90U00 – Canal Place Preservation and Development Authority

- Fiber optic was installed at the agency offices during fiscal 2024, and interior wiring is ongoing, which will enhance livestreaming capabilities. The website is also being overhauled to allow members of the public to access meeting agendas and other public documents more easily.

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

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	3.00	3.00	3.00	0.00	0%
02 Contractual	0.00	1.00	1.00	0.00	0%
Total Positions	3.00	4.00	4.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 288,233	\$ 289,092	\$ 306,308	\$ 17,216	6.0%
02 Technical and Special Fees	0	35,712	49,722	14,010	39.2%
03 Communication	7,836	7,700	11,050	3,350	43.5%
04 Travel	4,385	4,100	4,600	500	12.2%
06 Fuel and Utilities	64,307	69,314	50,811	-18,503	-26.7%
07 Motor Vehicles	1,242	1,230	1,530	300	24.4%
08 Contractual Services	326,189	533,955	315,995	-217,960	-40.8%
09 Supplies and Materials	19,742	17,514	17,437	-77	-0.4%
12 Grants, Subsidies, and Contributions	6,908	25,000	25,000	0	0%
13 Fixed Charges	4,332	5,612	7,752	2,140	38.1%
14 Land and Structures	0	35,288	0	-35,288	-100.0%
Total Objects	\$ 723,174	\$ 1,024,517	\$ 790,205	-\$ 234,312	-22.9%
Funds					
01 General Fund	\$ 193,109	\$ 228,000	\$ 220,107	-\$ 7,893	-3.5%
03 Special Fund	530,065	546,517	570,098	23,581	4.3%
09 Reimbursable Fund	0	250,000	0	-250,000	-100.0%
Total Funds	\$ 723,174	\$ 1,024,517	\$ 790,205	-\$ 234,312	-22.9%

Note: The fiscal 2025 allowance does not include cost-of-living adjustments.