

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 941

(Senator Stoltzfus)

Education, Health, and Environmental Affairs

Environmental Matters

Natural Resources - Somers Cove Marina Commission

This bill establishes a Somers Cove Marina Commission as a body politic and corporate and an instrumentality of the State.

The bill takes effect November 1, 2008.

Fiscal Summary

State Effect: Special fund revenue decrease of \$600,000 and net special fund expenditure decrease of \$19,600 in FY 2009 reflecting the elimination of the Somers Cove Marina Improvement Fund from within the Department of Natural Resources, a one-time transfer of the remaining unencumbered fund balance to the commission, the absorption (by other special funds) of specified DNR expenses that otherwise would be paid from the fund and the costs of an executive director. Future years reflect ongoing net decreases due to the transfer of management of the marina to the commission. Nonbudgeted revenue and expenditure increases reflect the one-time transfer and ongoing marina finances under the commission.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	(\$600,000)	(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)
NonBud Rev.	1,126,400	-	-	-	-
SF Expenditure	(19,600)	(840,300)	(860,700)	(881,700)	(903,300)
NonBud Exp.	597,000	-	-	-	-
Net Effect	(\$51,000)	(\$59,700)	(\$39,300)	(\$18,300)	\$3,300

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: The bill would not directly affect the finances of Somerset County or the City of Crisfield.

Small Business Effect: Minimal.

Analysis

Bill Summary: The commission is established to, among other things • maintain the existing Somers Cove Marina Improvement Fund in a bank account separate from State funds; • adopt operating and capital budgets and assess slip and other fees and charges at the marina to implement a specified master plan; and • set policy and provide general oversight of marina operations.

The bill provides for the composition, terms of members, powers and responsibilities, and function of the commission. The commission includes members from Somerset County and the City of Crisfield and members appointed by the Secretary of Natural Resources. The commission must transfer any unencumbered money in the existing fund run by DNR to the commission's fund. The fund is subject to audit by the State.

The commission is authorized to accept specified financial and other assistance from the State or federal government, a federal corporation, a unit or instrumentality of the federal government, or a political subdivision or instrumentality of the State. The commission must also apply for grants from the Waterway Improvement Fund.

An executive director is appointed by the Secretary of Natural Resources and is given various specified powers and responsibilities, including administering the Somers Cove Marina Improvement Fund; preparing annual operating and capital budgets; and developing an annual master plan for the operations, maintenance, development, and improvement of Somers Cove Marina. The executive director may also execute leases of land, buildings, or facilities at the marina and contracts for events or concessions, subject to specified conditions. A lease entered into before the creation of the commission remains in effect for the duration of the term of the lease. The executive director is subject to specified procurement requirements and must adopt a procurement policy that includes provisions for minority- and women-owned business participation.

The executive director is an employee of the State, as is the marina manager who is responsible for day-to-day operations of the marina. The commission must reimburse the State for the salary of the marina manager. The executive director's salary, however, is paid by the State, without reimbursement from the commission, until the Secretary of Natural Resources and the commission determine that the commission is financially able to do so.

The executive director must employ additional staff to operate and maintain the marina as employees of the commission. The bill specifies, however, that a State employee in an appointed or full-time equivalent or full-time contractual position who is employed at Somers Cove Marina on June 1, 2008 may remain a State employee subject to the authority of the Secretary of Natural Resources. The commission, however, must reimburse DNR for the salaries of those employees.

On November 1, 2011, DNR and the commission must begin to evaluate the commission's ability • to operate, maintain, develop, and improve the marina in an effective manner; and • to afford or assume the costs of operating, maintaining, developing, and improving the marina, including the salaries of the executive director and employees of the State who work at the marina. Findings and recommendations must be reported to the General Assembly on November 1, 2013. The commission also must annually provide an accounting of marina finances to DNR.

Current Law/Background: Somers Cove Marina was established in 1958 and was deeded to DNR in 1980 by the City of Crisfield. DNR has made various improvements to the marina with money from the Waterway Improvement Fund, including expanding the number of boat slips to 485 and constructing various facilities at the marina. The marina was operated by the Maryland Park Service within DNR from 1996 to 2006; since last year, it has been managed by DNR's Boating Services Unit.

There is a Somers Cove Marina Improvement Fund within DNR, to be used for the operation, maintenance, development, and improvement of the Somers Cove Marina facilities. Any money obtained by DNR from the marina is credited to the fund.

State Fiscal Effect:

Department of Natural Resources

Special Fund Revenues

Special fund revenues would decrease by \$600,000 in fiscal 2009, accounting for the bill's November 1, 2008 effective date, as a result of the transfer of the Somers Cove Marina Improvement Fund and responsibility for the management and operations of the marina from DNR to the commission. The special fund revenue decrease is based on the projected fiscal 2009 revenues of the Somers Cove Marina Improvement Fund. **Exhibit 1** shows, for background purposes, the revenues and expenditures of the marina from fiscal 2005 through the fiscal 2009 budget appropriation. Marina revenues are derived from various sources, but primarily from slip rentals, docking fees, and gasoline/oil sales.

Future year special fund revenue decreases assume continued marina revenues of \$900,000 annually that would otherwise be paid into the fund in DNR.

Exhibit 1
Somers Cove Marina Revenues and Expenditures
(Fiscal 2005-2009 Budget Appropriation)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008 (appr.)</u>	<u>FY 2009 (appr.)</u>
Revenues	\$914,295	\$956,961	\$853,971	\$850,000	\$900,000
Marina Expenditures*	732,899	911,807	855,374	869,476	895,558
Office of the Secretary Expenses**	65,537	72,077	73,709	97,027	101,340

*Marina expenditures have been primarily from the Somers Cove Marina Improvement Fund in recent years, with some expenditures paid from the Forest or Park Reserve Fund.

**Expenses paid from the Somers Cove Marina Improvement Fund to the Office of the Secretary within DNR for services of the Office of the Attorney General; communications and marketing, finance and administration, human resources, and information technology services.

Special Fund Expenditures

Overall, special fund expenditures would decrease by \$19,579 in fiscal 2009, which accounts for the bill's November 1, 2008 effective date. This reflects:

- a *decrease* in special fund expenditures of \$664,599 due to the transfer of the marina management and operations and the related fund to the commission (reflecting \$597,039 in direct marina expenditures and \$67,560 in expenses paid to the Office of the Secretary);
- an *increase* in special fund expenditures of \$67,560 reflecting the absorption by other DNR special funds of Office of the Secretary expenses that would otherwise have been paid from the Somers Cove Marina Improvement Fund (Note: to the extent these expenses could not be absorbed by other special funds, they would either need to be accounted for with general funds or DNR would need to reduce its Office of the Secretary expenses.);

- an *increase* in special fund expenditures of an estimated \$526,371 due to the one-time transfer of the unencumbered fund balance from DNR to the commission on November 1, 2008. (Note: this estimate does not reflect an anticipated \$127,000 fiscal 2008 budget amendment DNR anticipates requesting, which would reduce the amount transferred.); and
- an *increase* in special fund expenditures of \$51,089 reflecting the salary and fringe benefits of the executive director of the commission, assuming such costs are paid for with special funds from DNR's Waterway Improvement Fund, at least until the commission is able to support those costs.

There are currently three full-time employees (including the marina manager) and two contractual employees working at the marina. These employees would remain State employees, as provided for under the bill, and the commission would reimburse the State for their salaries. The above expenditures estimates, therefore, do not reflect costs associated with these positions, given that the commission would reimburse DNR for such costs.

Net future year special fund expenditure decreases account for:

- continued special fund expenditure *decreases* reflecting the elimination of marina expenditures and Office of the Secretary expenses that would otherwise be incurred by the fund within DNR;
- continued special fund expenditure *increases* reflecting the absorption of the Office of the Secretary expenses by other DNR special funds; and
- continued special fund expenditure *increases* reflecting the salary and fringe benefits of the executive director (Note: While it is assumed that in the near term, the salary and fringe benefits of the executive director will continue to be a DNR expenditure, as provided by the bill, to the extent the commission is financially able, it could begin to reimburse DNR for those expenditures at some point in the future.)

The Commission

Nonbudgeted revenues of the commission would increase by \$1,126,371 in fiscal 2009, accounting for the bill's November 1, 2008 effective date. This estimate reflects projected marina revenues for fiscal 2009 (\$600,000) and the one-time transfer of the unencumbered balance in the Somers Cove Marina Improvement Fund as of November

1, 2008 (\$526,371). Nonbudgeted expenditures would increase by at least \$597,039 in fiscal 2009, accounting for the bill's November 1, 2008 effective date, assuming the fiscal 2009 expenditures of the commission would be roughly equivalent to the projected expenditures for the marina in the fiscal 2009 budget. This does not reflect any costs for any legal, communications and marketing, or other services that might be required in place of services previously provided by DNR's Office of the Secretary.

Nonbudgeted revenues and expenditures could also increase in fiscal 2009 as a result of the receipt of grants from the Waterway Improvement Fund provided by DNR for capital projects. There are a number of planned capital projects for the marina that have been approved by the General Assembly and are in various stages of being implemented. DNR indicates that, if the commission is created, any projects for which funding is not already encumbered would be controlled by the commission, and the funding for such projects would either be provided by DNR (from the Waterway Improvement Fund) to the commission prior to implementation, or the commission would be reimbursed after project completion.

Not knowing how the commission will structure its operating and capital budgets in future years to meet the needs of the master plan developed each year, nonbudgeted revenues and expenditures in future years cannot be reliably estimated at this time.

Additional Information

Prior Introductions: None.

Cross File: HB 1463 (Delegate Conway, *et al.*) – Environmental Matters.

Information Source(s): Somerset County, Department of Natural Resources, Department of Legislative Services (Office of Legislative Audits)

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