



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

May 17, 2017

MEMORANDUM

TO: Andrea C. Harrison, Chair
Planning, Zoning and Economic Development Committee

THRU: David H. Van Dyke, County Auditor *DHV*

FROM: Amy Lee, Staff Auditor *AL*

RE: Economic Development Corporation - Fiscal Year 2018 Budget Review
(Non-Departmental Grants & Transfer Payments)

Budget Overview

The Economic Development Corporation (EDC) is funded through an annual County grant in the Non-Departmental section of the budget. The EDC's Proposed FY 2018 Budget reflects County grant funding in the amount of \$3,457,600, an increase of \$219,900, or 6.8%, over the FY 2017 County approved funding level.

Approved Fiscal Year 2017 to Proposed Fiscal Year 2018

Category	FY 2016 Actual	FY 2017 Approved	FY 2017 Estimated	FY 2018 Proposed	Change Amount	Percentage Change
Prince George's County Grant	\$ 2,860,200	\$ 3,237,700	\$ 3,237,700	\$ 3,457,600	\$ 219,900	6.8%

Budget Comparison - Consolidated Budget

FY 2018 proposed revenues for the Economic Development Corporation total \$11,386,600, an increase of \$1,754,900, or 18.2%, above the FY 2017 Approved Budget. The increase is mainly attributed to an increase in funding from Workforce Investment Act and County grants.

Approved Fiscal Year 2017 to Proposed Fiscal Year 2018

Category	FY 2016 Actual	FY 2017 Approved	FY 2017 Estimated	FY 2018 Proposed	Change Amount	Percentage Change
<u>REVENUES</u>						
County Grant	\$ 2,860,200	\$ 3,237,700	\$ 3,237,700	\$ 3,457,600	\$ 219,900	6.8%
Workforce Investment Act (WIA) Grants	5,544,689	6,000,000	6,125,000	7,500,000	1,500,000	25.0%
Enterprise Zone Grant	65,000	65,000	65,000	65,000	-	0.0%
EDI Grant Processing Fees	6,800	10,000	10,000	10,000	-	0.0%
Event/Sponsorship Revenue	405,277	75,000	75,000	100,000	25,000	33.3%
Small Business Services Revenue	125	500	500	500	-	0.0%
Fundraising Revenue	-	175,000	175,000	175,000	-	0.0%
Incubator Revenue	47,115	65,000	65,000	75,000	10,000	15.4%
Miscellaneous Income	105,554	3,500	-	3,500	-	0.0%
Total Revenues	\$ 9,034,760	\$ 9,631,700	\$ 9,753,200	\$ 11,386,600	\$ 1,754,900	18.2%
<u>EXPENDITURES</u>						
Salaries & Wages	\$ 1,936,104	\$ 2,165,100	\$ 2,195,000	\$ 2,161,700	\$ (3,400)	(0.2)%
Fringe Benefits	596,897	713,200	724,400	713,400	200	0.0%
Operating						
Professional Services	60,515	74,000	66,200	129,000	55,000	74.3%
Outreach/Conference	697,305	487,000	555,000	666,300	179,300	36.8%
Facilities Expenses	262,533	142,800	142,100	145,200	2,400	1.7%
Staff & Board Expenses	49,208	43,600	66,500	67,000	23,400	53.7%
Other Operating Expenses	36,253	6,000	4,000	4,000	(2,000)	(33.3)%
Sub-Total	\$ 1,105,814	\$ 753,400	\$ 833,800	\$ 1,011,500	\$ 258,100	34.3%
Workforce Services and Other Grants	5,573,166	6,000,000	6,000,000	7,500,000	1,500,000	25.0%
Total Expenses	\$ 9,211,981	\$ 9,631,700	\$ 9,753,200	\$ 11,386,600	\$ 1,754,900	18.2%

Authorized Staffing Count - County Funded Positions

	FY 2017 Approved	FY 2018 Proposed	Change Amount	Percentage Change
Full-Time	24	25	1	4.2%
Part-Time	0	0	0	0.0%
Total	24	25	1	4.2%

Staffing Changes and Compensation

- In FY 2018, compensation is proposed at \$2,161,700, which is a decrease of \$3,400, or 0.2%, below the FY 2017 Approved Budget level. The FY 2018 compensation costs include a 1% cost-of-living adjustment, and 3% merit increases for all eligible employees. Employee merit increases will be made based upon each employee's overall score using EDC's newly implemented Performance Pro Appraisal System. *For more information on this system refer to First Round Question #13.*
- There are 25 full-time positions funded in the Proposed FY 2018 Budget, which is an increase of 1 full-time position when compared to the FY 2017 staffing level. The increase is due to the conversion of the part-time Accounting Assistant/Fiscal Monitor position to a full-time position. This position, which was previously funded by Workforce Investment Act grants, will be partially funded by the County grant in FY 2018.
- EDC made some position title changes during FY 2017. Some of these title changes included changing the Chief of Staff position to a Chief Operating Officer position, and the EDI Fund Business Development Specialist title was changed to the Financial Services Program manager. Additionally, EDC was able to fill the International Business Specialist position in FY 2017.

Fringe Benefits

- In FY 2018, fringe benefit expenditures total \$713,400, an increase of \$200 above the FY 2017 Approved Budget level.

Operating

- In FY 2018, operating expenditures are proposed at \$1,011,500 and comprise the following major items:
 - Outreach/Conference \$666,300
 - Facilities Expenses 145,200
 - Professional Services 129,000

- FY 2018 Operating Expenditures are proposed to increase by \$258,100, or 34.3%, over the FY 2017 Approved Budget level. The proposed increase is largely attributed to the increases in the following categories:
 - Professional Services- contracted services for a grant writer;
 - Outreach/Conference- to support the County's Branding Campaign;
 - Staff and Board Expenses- to attend the Greater Washington Board of Trade events.
- In FY 2017, EDC executed a new contract with a marketing and public relations firm. This firm is providing assistance in getting media coverage for EDC's economic development and workforce development efforts in the County.

Highlights

EDC Mission, Core Services and Strategic Focus

EDC's mission is to market and promote the County to businesses and provide services that support business development, high-quality job creation, and expansion of Prince George's County's commercial tax base.

EDC's core services are as follows:

- Marketing and promoting the County as a regional and global business location by assisting in site selection, providing connections to financing sources, and facilitating expedited permit processing;
- Preparing the County workforce for existing and emerging jobs;
- Organize international seminars/networking events, and business missions; and
- Nurturing start-ups and international firms in the Technology Assistance Center with enhanced business services.

EDC's Strategic Focus in FY 2018 is as follows:

- Retain and grow existing companies and employers through the "We Care" blitz, and aggressively attract new companies and employers.
- Assist County residents with job search, training and placement, with special emphasis on long-term unemployed county residents, veterans, and returning citizens, and assist employers with recruitment, customized training, and "On the Job Training".

FY 2017 Key Accomplishments

- EDC continues to implement a 2-prong strategy for business retention and attraction that has resulted in the growth of existing companies, as well as the attraction of several new businesses. EDC's strategies have resulted in the following initiatives:
 - The "WeCare" program is designed to assist County-based businesses to remain in the County, be competitive, and grow. In the first eight (8) months of FY 2017, EDC's business development team has visited 246 companies that are located in the County. All of these companies have indicated that they plan to stay in the County and add over 900 net new jobs, along with adding to existing commercial office space.

- The “Ops535” is designed to recruit businesses outside the County whose leases are up in the next 48 months, to relocate all, or a portion of their business to the County. In FY 2017, EDC targeted 364 of 535 Washington, D.C. and Northern Virginia based companies in specific disciplines with leases expiring within the next 48 months. One hundred fifty-four of these targeted companies have expressed interest in relocating to the County.
- In partnership with the Maryland Department of Commerce and U.S. Export Assistance Center (USEAC), EDC is assisting Korea-China business delegates obtain “ExportMD” and other grants to cover more than half of their mission costs. The goal is to help these delegates gain more business and attract foreign direct investment into the County at zero net cost to EDC or the County.
- EDC is working with a medical device manufacturer to market their surgical devices in India and raise capital. This company is likely to do an initial public offering (IPO) after returning from India at the end of June 2017.

Technology Assistance Center (TAC) Incubator Program

The Prince George’s County TAC is an incubator program established to foster the creation and growth of early stage technology companies in Prince George’s County. The TAC promotes economic development by fostering the successful growth of its incubator companies through the provision of affordable facilities and a broad range of business and technical services. The TAC encourages and supports high-growth potential technology companies, with a preference for those developing proprietary products and services. TAC centers are located at EDC and the Bowie Innovation Center. EDC is continuing its plans to expand its TAC into vacant space on the 4th floor of 1801 McCormick Drive.

EDC plans to rebrand its TAC Incubator program into an “Accelerator” program, to be called “Innovation Station”, for local companies, and an International Business Center for foreign companies like China, India, Mauritius, Malaysia, etc. Companies will be allowed to remain in the TAC program for 6 months before being encouraged to leave the program. The companies currently in the program are Creative Lipi, Webtech, Sheladia Associates, DLC Distributors, CoreLogix, MVS, Inc., Karmick, Renaissance Systems, Last Mile Broadband, DMV Solutions, and Empower2Thrive. Two companies, Allied Deccan and Insight Engineering, graduated from the program in the 2016-2017 year and moved to commercial spaces within in the County. EDC is discussing graduation plans with four to five more companies.

Workforce Services Division (WSD)

The Workforce Services Division (WSD) has two full service, One-Stop Career Centers in Largo and Laurel, Maryland. These One-Stop Career Centers provide various services to job seekers and businesses. The One-Stop Career System serves over 40,000 job seekers and employers each year. One of the many tools available to these stakeholders is the Prince George’s One-Stop Career Center’s Maryland Workforce Exchange (MWE) database. This database is a state-of-the-art web based system that allows for the managing of job matching capabilities by posting new job openings and identifying qualified job seekers. The web address is mwejobs.maryland.gov.

Additionally, WSD was awarded and is responsible for administering the following U.S. Department of Labor funded grants:

- **Prince George's County Youth Career Connect (PGC-YCC):** \$7 Million – This is a 4-year STEM program that provides over 2,500 high school students in Prince George's County with education and skills training, internships, and job readiness in Healthcare and Information Technology. The grant will expire next year. To garner support for the program once the grant funds have expired, EDC is partnering with the Prince George's County Public School System.
- **Jobs-Driven National Emergency Grant:** \$232,000 – This provides wrap-around services, on-the-job training, customized and occupational skills training, supportive services, as well as expand the Career Pathways Program. These services are provided to long-term unemployed residents, defined as in excess of 27 weeks, having exhausted or are on the verge of exhausting their unemployment benefits, and to foreign-trained immigrant workers.
- **Ready to Work (Maryland Tech Connect), sponsored by Anne Arundel Workforce Development Corporation:** \$5 Million – The program centers around the training and job placement of long-term unemployed adults in the fields of Biotech, Healthcare IT, and Cyber Security. WSD is a partner, but not a direct recipient of funds.

Branding Campaign

Phase 1 of the Branding Campaign, "EXPERIENCE, EXPAND, EXPLORE", concluded in March 2015. In order to begin Phase 2 of the campaign, EDC needs to raise additional funding. EDC plans to raise funding by working with the County Executive's office and securing sponsorships within the business community.

International Business and Marketing Missions

According to EDC representatives their international business and marketing missions are designed to (1) promote the County globally through events, conferences, trade shows, and U.S. Embassy briefings, (2) raise the profile of the County in the eyes of foreign investors, (3) attract foreign direct investment (FDI) and EB-5 investment, (4) attract international companies to the County, (5) help companies in the County identify markets and contracting opportunities in other countries, (6) grow exports and business opportunities, and (7) provide ExportMD grants, Gold Key Services (USDOC), and B2B meetings in other countries.

EDC has immediate plans to conduct international business missions to Korea and China. Future trips to Canada, Latin America, and Africa are imminent. EDC led a business mission in China in 2014 and 2015 to create "Friendship Agreements" with the Changping province of Beijing and the "Z-Park" for Science and Technology, which is the largest tech park in China with over 2,000 businesses. In recent years, EDC has led international business trips to Africa and Cuba.

EDC reports the following critical issues:

- Economic challenges facing the County:
 - Softness in the commercial real estate and housing market
 - High commercial office vacancy rates
 - Lack of Class A office space, especially Energy Star and LEED certified commercial buildings
 - Nearly 21,000 residents remain unemployed, including Veterans
- EDC's limited research capacity.
- Urgent need for a dedicated grant writer to pursue grants for both economic development and workforce development.

Use of Unrestricted Funds

The FY 2017 Unrestricted Assets balance is projected to be \$1,829,382, an increase of \$12,342 over the FY 2016 balance. EDC is working on an investment policy with the Board to determine the best use of these funds.

Economic Development Incentive (EDI) Fund Overview

The Economic Development Incentive Fund is intended to provide the County with a more competitive incentive program that can attract, retain, and expand businesses, and protect and enlarge the employment and tax base of the County. Some of the results of the fund's operations are as follows:

- To date, 306 businesses have inquired about the program, which has led to 9 actual loan applications in FY 2017;
- In total, \$22.1 million in EDI Funding loans have been closed. In FY 2017, 3 loans totaling \$2,491,000 have closed;
- Conditional loans of \$22,080,000 and traditional loans of \$8,996,000 have been approved;
- *Refer to the Financial Services Corporation (FSC) report for more details on the EDI loan activity*