

Economic Development Corporation (EDC) - Fiscal Year 2023 Budget Review Summary

Proposed FY 2023 Operating Budget

| Revenue | | | | | | |
|---------------|---------------------|---------------------|----------------------|---------------------|-------------------|-------------|
| Fund | FY 2021 Actual | FY 2022 Approved | FY 2022 Estimated | FY 2023 Proposed | \$ Change | % Change |
| County Grant | \$ 3,997,700 | \$ 3,739,100 | \$ 3,739,100 | \$ 3,889,100 | \$ 150,000 | 4.0% |
| Other Sources | 307,196 | \$499,600 | \$574,600 | \$499,600 | \$0 | 0.0% |
| Total | \$ 4,304,896 | \$ 4,238,700 | \$ 4,313,700 | \$ 4,388,700 | \$ 150,000 | 3.5% |

| Category | FY 2021 Actual | FY 2022 Approved | FY 2022 Estimated | FY 2023 Proposed |
|--------------------|---------------------|---------------------|----------------------|---------------------|
| Compensation | \$ 2,181,945 | \$ 2,227,300 | \$ 2,295,900 | \$ 2,288,700 |
| Fringe Benefits | 613,075 | 801,900 | 826,500 | 823,900 |
| Operating Expenses | 928,918 | 1,209,500 | 1,191,300 | 1,276,100 |
| Total | \$ 3,723,938 | \$ 4,238,700 | \$ 4,313,700 | \$ 4,388,700 |

FY 2023 Proposed Budget – Key Highlights

- The EDC is partially funded through an annual County grant in the Non-Departmental section of the budget. The EDC's Proposed FY 2023 Budget reflects County grant funding in the amount of \$3,889,100, an increase of \$150,000, or 4.0%, above the FY 2022 County approved funding level.
- FY 2023 proposed revenues for the Economic Development Corporation (EDC) total approximately \$4,388,700, an increase of \$150,000, or 3.5%, above the FY 2022 Approved Budget. The increase is attributed to the increase in the County's grant by the same amount.
- FY 2023 compensation is proposed at \$2,288,700, which is an increase of \$61,400 or 2.8%, above the FY 2022 Approved Budget. The FY 2023 compensation increased due to mandatory salary requirements.
- In the FY 2023 Proposed Budget, fringe benefit expenditures total \$823,900, an increase of \$22,000, or 2.7%, above the FY 2022 Approved Budget due to aligning expenses with projected costs.
- The proposed budget includes funding for 24 full-time positions, which is consistent with the previous year's budget.
- In FY 2023 Proposed Budget, operating expenditures is proposed at \$1,276,100, which is an increase of \$66,600 or 5.5% above the FY 2022 Approved Budget. The proposed Operating Budget is comprised of the following major items:
 - Outreach/Conference \$ 662,700
 - Facilities Expenses 250,900
 - Professional Services 264,600
 - Staff and Board Expenses 88,900
 - Miscellaneous Expenses 9,000

FY 2023 Key Priorities include:

- Support recovery of multiple sectors of the County's economy from COVID-19 induced stress, through technical assistance programming.
- Attract at least one large-scale \$200 million capital expense data center to the County
- Develop and expand marketing campaigns and promotional opportunities to promote the Prince George's County business climate, success stories, assets, and lifestyles.
- Regain the County's status as #1 in Job Growth in Maryland and make progress towards shifting the commercial/residential real property tax ratio.
- Develop and implement key initiatives identified in the County's soon to be updated Comprehensive Economic Development Strategic Action Plan.

Economic Development Incentive Fund

- To date, 870 applications have been received through the EDI Fund online portal.
- FY 2022, 74 EDI Fund applications were received.
- Of the 74, six (6) were completed, of which one (1) has been fully submitted and progressing with further considerations.
- Currently the EDI Fund pipeline consists of eight (8) active projects totaling \$87.3 million in total aggregate project cost and \$2 million in EDI Fund requests. All entities are new to the EDI Fund process.
- In FY2023, EDC projects six (6) EDI Fund Awards.



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

May 5, 2022

MEMORANDUM

TO: Mel Franklin, Chair
Planning, Housing and Economic Development (PHED) Committee

THRU: Turkessa M. Green, County Auditor *JMG* *JRH*
Joseph R. Hamlin, Director of Budget and Policy Analysis *W* *JB*

FROM: Warren E. Burris, Senior Budget & Policy Legislative Analyst

RE: Economic Development Corporation - Fiscal Year 2023 Budget Review
(Non-Departmental Grants & Transfer Payments)

Budget Overview

The FY 2023 Proposed Budget for the Economic Development Corporation (EDC) is \$4,388,700, or 3.5% above the FY 2022 Approved Budget. The Economic Development Corporation (EDC) is partially funded through an annual County grant in the Non-Departmental section of the budget. The EDC's Proposed FY 2023 Budget reflects County grant funding in the amount of \$3,889,100, an increase of \$150,000, or 4.0%, above the FY 2022 County approved funding level. The increase is attributed to an increase in the County's grant to support the Buy PGC marketing campaign.

| Revenue | | | | | | | |
|---------------|---------------------|---------------------|----------------------|---------------------|-------------------|-------------|--|
| Fund | FY 2021 Actual | FY 2022 Approved | FY 2022 Estimated | FY 2023 Proposed | \$ Change | % Change | |
| County Grant | \$ 3,997,700 | \$ 3,739,100 | \$ 3,739,100 | \$ 3,889,100 | \$ 150,000 | 4.0% | |
| Other Sources | 307,196 | \$499,600 | \$574,600 | \$499,600 | \$0 | 0.0% | |
| Total | \$ 4,304,896 | \$ 4,238,700 | \$ 4,313,700 | \$ 4,388,700 | \$ 150,000 | 3.5% | |

Budget Comparison - Consolidated Budget

Approved Fiscal Year 2022 to Proposed Fiscal Year 2023

| Category | FY 2021 Actual | FY 2022 Approved | FY 2022 Estimated | FY 2023 Proposed | Change Amount | Percentage Change |
|---------------------------------|---------------------|---------------------|----------------------|---------------------|-------------------|----------------------|
| <u>REVENUES</u> | | | | | | |
| County Grant | \$ 3,997,700 | \$ 3,739,100 | \$ 3,739,100 | \$ 3,889,100 | \$ 150,000 | 4.0% |
| Enterprise Zone Grant | 65,000 | 65,000 | 65,000 | 65,000 | - | 0.0% |
| Small Business Services Revenue | 120 | 2,000 | 2,000 | 2,000 | - | 0.0% |
| Incubator Revenue | 63,821 | 75,000 | 75,000 | 75,000 | - | 0.0% |
| Event/Sponsorship Revenue | 29,088 | 150,000 | 150,000 | 150,000 | - | 0.0% |
| Fundraising Revenue | - | 66,300 | 66,300 | 66,300 | - | 0.0% |
| EDI Fund Processing Fees | - | 16,300 | 16,300 | 16,300 | - | 0.0% |
| Miscellaneous Income | 149,167 | 125,000 | 200,000 | 125,000 | - | 0.0% |
| Total Revenues | \$ 4,304,896 | \$ 4,238,700 | \$ 4,313,700 | \$ 4,388,700 | \$ 150,000 | 3.5% |
| <u>EXPENDITURES</u> | | | | | | |
| Salaries & Wages | \$ 2,181,945 | \$ 2,227,300 | \$ 2,295,900 | \$ 2,288,700 | \$ 61,400 | 2.8% |
| Fringe Benefits | 613,075 | 801,900 | 826,500 | 823,900 | 22,000 | 2.7% |
| Operating | | | | | | |
| Professional Services | 205,853 | 245,900 | 245,900 | 264,600 | 18,700 | 7.6% |
| Facilities Expenses | 211,992 | 272,000 | 298,300 | 250,900 | (21,100) | (7.8)% |
| Outreach/Conference | 436,952 | 600,900 | 553,400 | 662,700 | 61,800 | 10.3% |
| Staff & Board Expenses | 50,561 | 81,700 | 84,700 | 88,900 | 7,200 | 8.8% |
| Other Operating Expenses | 23,560 | 9,000 | 9,000 | 9,000 | - | 0.0% |
| Sub-Total | \$ 928,918 | \$ 1,209,500 | \$ 1,191,300 | \$ 1,276,100 | \$ 66,600 | 5.5% |
| Total Expenditures | \$ 3,723,938 | \$ 4,238,700 | \$ 4,313,700 | \$ 4,388,700 | \$ 150,000 | 3.5% |

Staffing Changes and Compensation

- FY 2023 compensation is proposed at \$2,288,700, which is an increase of \$61,400, or 2.8%, above the FY 2022 Approved Budget level. The FY 2023 proposed increase is due to mandated salary requirements.

- There are 24 full-time positions funded in the Proposed FY 2023, which is consistent with the previous year's budget.
- Another position, the International Business Development Specialist, remains unfunded.
- EDC employees received a 3.0 % merit increase in FY 2022. There are no planned salary increases for FY 2023.

Authorized Staffing Count

| | FY 2022 Approved | FY 2023 Proposed | Change Amount | Percentage Change |
|----------------------|-------------------------|-------------------------|----------------------|--------------------------|
| Full-Time (Funded) | 24 | 24 | 0 | 0.0% |
| Full-Time (Unfunded) | 1 | 1 | 0 | 0.0% |
| Total | 25 | 25 | 0 | 0.0% |

Fringe Benefits

- In the FY 2023 Proposed Budget, fringe benefit expenditures total \$823,900, an increase of \$22,000, or 2.7%, above the FY 2022 Approved Budget due to aligning expenses with projected costs.

Operating Expenditures

- In the FY 2023 Proposed Budget, operating expenditures are proposed at \$1,276,700, which is an increase of \$66,600, or 5.5%, above the FY 2022 Approved Budget. The proposed operating budget is comprised of the following major items:

| | |
|----------------------------|------------|
| ➤ Outreach/Conference | \$ 662,700 |
| ➤ Professional Services | 264,600 |
| ➤ Facilities Expenses | 250,900 |
| ➤ Staff and Board Expenses | 88,900 |
| ➤ Other Operating Expenses | 9,000 |

EDC Mission and Core Services

The EDC markets and promotes the County to businesses and provides services that support business development, high-wage job creation, and expansion of Prince George's County's commercial tax base.

The EDC's core services are as follows:

- Promote economic development by providing business service to attract, retain, and expand businesses in the County.
- Market and promote the County as the best place to do business.
- Provide a wide range of services to support start-up technology companies.
- Attract and promote revitalization, repurposing and redevelopment of shopping centers and the attraction of retail establishments.
- Promote international business development through export, assistance, foreign direct investment (FDI), and international business attraction.

Economic Development Incentive (EDI) Fund Overview

The Economic Development Incentive Fund (EDI Fund) was established in FY 2012 through legislation (CB-04-2011) to allow Prince George's County to support development opportunities and job attraction and retention by providing critically needed financial assistance to projects that "but for" this public/private partnership will not occur and where market forces do not create the incentive to sustain private investments. As established, the EDI Fund should be used strategically to support developed tier and gateway communities, transit oriented development, and local, minority, and small businesses, among other important priorities.

- To date, 870 applications have been received through the EDI Fund online portal.
- FY 2022, 74 EDI Fund applications were received.
- Of the 74, six (6) were completed, of which one (1) has been fully submitted and progressing with further considerations.
- Currently the EDI Fund pipeline consists of eight (8) active projects totaling \$87.3 million in total aggregate project cost and \$2 million in EDI Fund requests. All entities are new to the EDI Fund process.
- In FY 2023, EDC projects six (6) EDI Fund awards.

FY 2022 Grant Applications in Process

- **Kresge Foundation** for leadership infrastructure and non-profit development.
- **Goldseker Foundation** – Non-profit capacity building
- **Kauffman Foundation** to support LatinX Small business owners
- **O'Neil Foundation** – to support healthy families through literacy and economic development
- **Blaustein Foundation** for Capacity building support.

Areas of Concern/Challenges Facing EDC

- Sales, lease and rent disparity in Prince George's County as compared to neighboring jurisdictions creates continual demand for incentives and subsidies for commercial, residential and retail development.
- Exacerbated and accelerated by the pandemic, turmoil in the retail sector with changing habits by consumers and dramatically increasing online sales threatens brick-and-mortar retail establishments. Throughout the United States, jurisdictions will see the threat of greater vacancy rates, and therefore lower tax returns from retail space.
- Planning and permitting issues continue to affect the County's reputation for business climate and may disincentivize investment.

EDC's FY 2023 Key Priorities include:

- Return to the primary role of business attraction, retention and expansion, utilizing the updated strategic plan for economic development.
- Support recovery of multiple sectors of the County economy from COVID-19 induced stress, including restaurant and hospitality industries.
- Attract at least one large scale \$200 million-plus capex data center to the County-potential to negotiate incentives.
- Develop and expand marketing campaigns and promotional opportunities to promote the Prince George's County business climate, success stories, assets and lifestyles.
- Attract upscale and new concept restaurants and retail, revitalize older shopping centers and eliminate food deserts and promote healthy food priority areas.
- Regain the County's status as #1 in Job Growth in Maryland and make progress toward commercial/residential real property tax ratio.

Summary of COVID Funding

Business Recovery Initiative – The Prince George’s County Business Recovery Initiative (Formerly Relief Fund) was a \$20.1 million program that offered grants to provide working capital for small County-based businesses whose operations had been interrupted due to COVID-19. Grant assistance provided up to \$100,000 for each business.

- ✓ 916 applications received;
- ✓ 595 applications approved;
- ✓ \$19,690,500 grants disbursed;
- ✓ 100% funding disbursed; and
- ✓ 3,090 jobs saved.

Childcare Provider Recovery Program – A \$2 million grant that provided funding to childcare centers that had to close their doors due to COVID-19 Pandemic, lack of revenue and newly established State and local health and safety guidelines. \$1.4 million was targeted to licensed childcare centers. \$600,000 was targeted to registered family child care homes to help these providers to reopen.

- ✓ 22 centers awarded a total of \$2,046,000;
- ✓ 81 childcare centers awarded a total of \$1,620,000; and
- ✓ 139 family providers awarded a total of \$417,000.

Restaurant Resiliency Program – An \$11.4 million grant that assisted restaurants and food service establishments that were adversely affected by the COVID-19 pandemic. The program provided grants up to \$25,000 to Prince George’s County based restaurants and food establishments to promote long term sustainability and resiliency of business operations, support COVID-19 safety measures and support businesses operating at reduced capacity.

- ✓ 511 food service providers; and
- ✓ \$11,424,000 in total grants awarded.

Restaurant Assistance Grant – was a \$3.2 million grant to assist restaurants and food service establishments that have been adversely affected by the COVID-19 pandemic. The program provided grants of \$12,000 to Prince George’s County based restaurants and food establishments to promote and support long term sustainability, resiliency, of business operations, COVID safety measures, and businesses operating at reduced capacities.

- ✓ 267 food service providers; and
- ✓ \$3,204,000 in total grants awarded.