

**D90U00**  
**Canal Place Preservation and Development Authority**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$165	\$88	\$34	-\$54	-61.3%
<b>Adjusted General Fund</b>	<b>\$165</b>	<b>\$88</b>	<b>\$34</b>	<b>-\$54</b>	<b>-61.3%</b>
Special Fund	266	449	545	96	21.4%
Contingent & Back of Bill Reductions	0	0	-4	-4	
<b>Adjusted Special Fund</b>	<b>\$266</b>	<b>\$449</b>	<b>\$541</b>	<b>\$92</b>	<b>20.6%</b>
<b>Adjusted Grand Total</b>	<b>\$431</b>	<b>\$537</b>	<b>\$575</b>	<b>\$38</b>	<b>7.2%</b>

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board budget. The actual allocations are to be developed by the Administration.

- Reflecting legislative intent, general fund support for the Canal Place Authority is declining in the fiscal 2011 allowance by about \$54,000, or 61%. Conversely, an increase in special funds is expected in fiscal 2011, largely due to increases in grant funds and to the hotel tax sharing agreement.

***Personnel Data***

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</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>
<b>Total Personnel</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/09	n/a	n/a

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

For further information contact: Jody J. Sprinkle

Phone: (410) 946-5530

- There are three full-time equivalent positions; all positions are currently filled. All three positions are funded with special funds.

## *Analysis in Brief*

---

### **Major Trends**

***Visitor Counts Fail to Meet Expectations:*** A lagging economy is the likely contributor to lower than expected visitor turnout at Canal Place attractions. However, hikers and bikers help to keep the Allegheny Highlands Trail a popular destination.

***Fundraising Efforts Show Results:*** Funds from grant awards triple from fiscal 2008 to 2009. The authority expects to continue aggressive fundraising activities, diminishing the need for State general fund support.

### **Issues**

***Phaseout of Canal Place General Fund Appropriation:*** The budget committees have expressed the intent that general funds for Canal Place be phased out. The fiscal 2011 allowance reflects progress toward that goal. It is expected that the authority will be completely self reliant by fiscal 2012. **The Department of Legislative Services (DLS) recommends that Canal Place comment on the plans to be fully fiscally self-sustaining by fiscal 2012.**

***Project Update:*** Over the past year, private investment and development has altered the landscape of Canal Place. A 108-room hotel has opened, and a portion of an unused building has been torn down. The authority is working on other projects such as the rewatering of the Chesapeake and Ohio Canal. **DLS recommends that Canal Place brief the budget committees on the status of ongoing and future projects, both public and private.**

### **Recommended Actions**

1. Concur with Governor's allowance.

**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:

- preserve or assist in the preservation of buildings, structures, and settings of historical value;
- conduct activities to educate the public about the history and significance of the heritage area;
- provide recreational uses of the heritage area; and
- facilitate economic development in the heritage area, such as through public and private investment in adaptive reuse, interpretive attractions, or other activities.

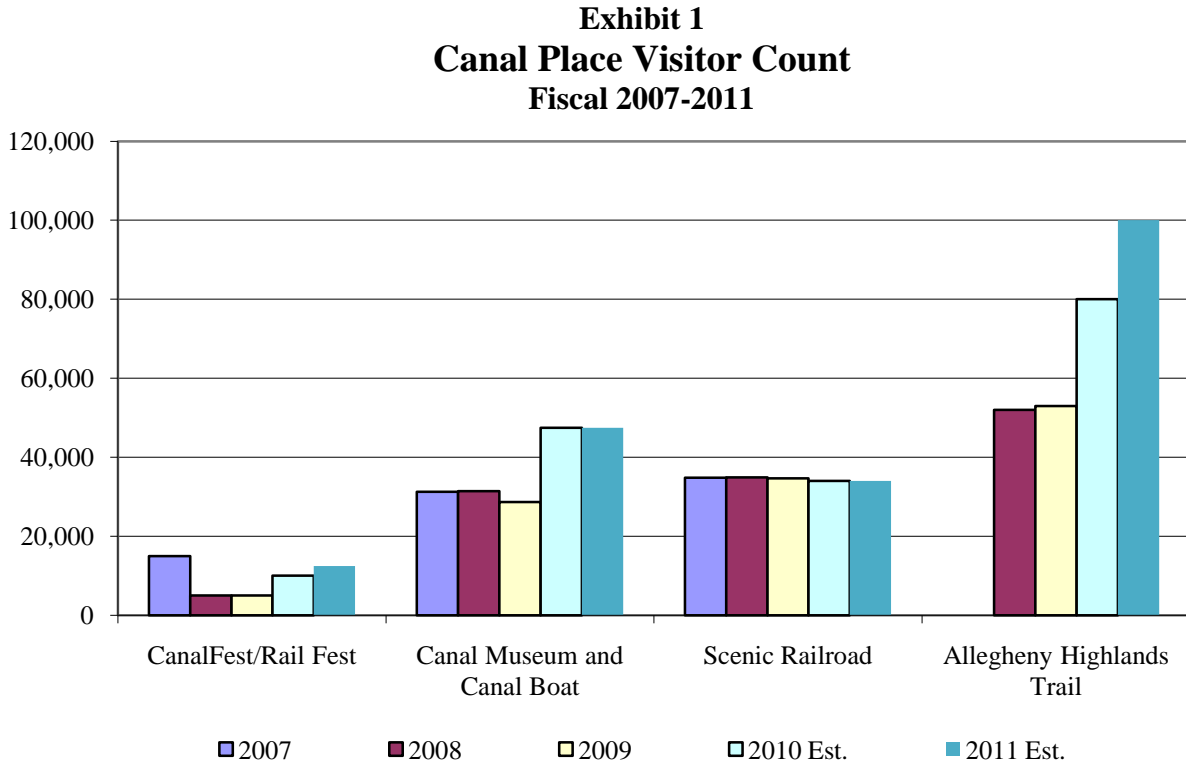
When fully developed, Canal Place will feature boat rides along a restored section of the Chesapeake and Ohio (C&O) Canal, which broke ground in Washington, DC in 1828 and reached Cumberland in 1850. Today, visitors can walk or bike along the canal towpath and can benefit from other Canal Place projects that have been completed. A retail marketplace includes nine shop locations and a plaza that hosts music and festival events. Currently only four 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 projects at Canal Place include expanding the visitor center, overseeing private development of a hotel and restaurant, and improving parking and access for vehicles and pedestrians.

## Performance Analysis: Managing for Results

### Visitor Counts Fail to Meet Expectations

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



Source: Governor's Budget Books, Fiscal 2011

While measurement prior to fiscal 2007 for each attraction is unavailable, the current data shows that the Allegheny Highlands Trail is the most popular attraction. The trail has automated counters to measure the number of hikers and bikers on the trail. CanalFest/RailFest is a major event held annually by the agency on its Crescent Lawn festival grounds. Numbers fell in fiscal 2008, as the agency was not able to attract a concert headliner and reduced the festival to one day. The festival returned to three days in fiscal 2009; however, rainy weather kept turnout lower than expected.

It should be noted that the authority continues to have optimistic expectations for visitor counts in the out-years. For example, last year, the authority estimated that the Allegheny Highlands

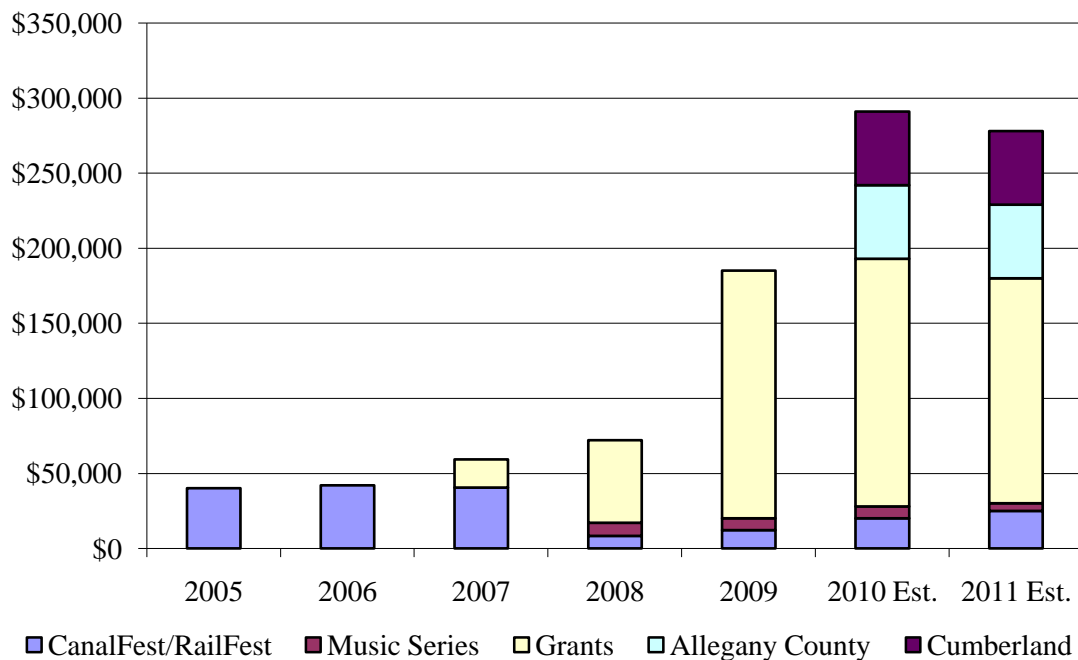
*Analysis of the FY 2011 Maryland Executive Budget, 2010*

Trail would reach 100,000 visitors in fiscal 2009. However, this year, the authority reports that 53,000 visitors were counted on the trail in fiscal 2009. The lagging economy may have contributed to the lower than expected visitor counts; therefore, it might be advisable for the authority to plan for more conservative estimates in the future.

## Fundraising Efforts Show Results

Canal Place has a goal to secure public and private support through corporate sponsorship, community membership, and private donations and grants. The authority is fully staffed for the first time in several years. The third staff member has focused efforts on raising funds and writing grant proposals. **Exhibit 2** shows that from fiscal 2008 to 2009, grants received by the authority increased by \$110,000. Grants included awards from the Maryland Historical Trust and the Community Legacy grant program.

**Exhibit 2**  
**Canal Place Fundraising**  
**Sponsorships and Grants**  
**Fiscal 2005-2011**



Source: Governor's Budget Books, Fiscal 2006-2011

Beginning in fiscal 2010, the authority will begin 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. The agency plans to continue to aggressively pursue other grant opportunities in the future.

**The Department of Legislative Services (DLS) recommends that Canal Place comment on realistic expectations for increasing attendance and its continued efforts at fundraising given a decline in general fund support.**

## **Fiscal 2010 Actions**

### **Impact of Cost Containment**

The fiscal 2010 cost containment initiative reduced the authority's original appropriation by over \$3,000 in salary and related expenses as a result of the employee furlough.

## **Proposed Budget**

Reflecting legislative intent, support for the Canal Place Authority is declining in the fiscal 2011 allowance by about \$54,000, or 61%. Conversely, an increase in special funds of approximately \$92,000 is expected in fiscal 2011, largely due to increases in grant funds and to the hotel tax sharing agreement.

### **Impact of Cost Containment**

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs and health insurance.

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

<b>How Much It Grows:</b>	<b><u>General</u> <u>Fund</u></b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Total</u></b>
2010 Working Appropriation	\$88	\$449	\$537
2011 Allowance	<u>34</u>	<u>545</u>	<u>579</u>
Amount Change	-\$54	\$96	\$42
Percent Change	-61.3%	21.4%	7.9%
 Contingent Reductions	 \$0	 -\$4	 -\$4
Adjusted Change	-\$54	\$92	\$38
Adjusted Percent Change	-61.3%	20.6%	7.2%

**Where It Goes:**

**Personnel Expenses**

Salary increase due to staffing of vacant position.....	\$25
Employee and retiree health insurance .....	-16
Employee retirement.....	4
Across-the-board reductions – furlough and health insurance .....	-4
Other fringe benefit adjustments.....	-2

**Other Changes**

Fuel and utilities.....	-20
Postage.....	2
Advertising and marketing.....	35
Household and building maintenance.....	8
New printers and data back-up capacity .....	5
Licenses .....	2
Other .....	-1

**Total** **\$38**

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

## **General Agency Expenses**

The fiscal 2011 allowance includes an increase of \$35,000 in special funds for advertising and marketing. The authority expects to be a recipient of a grant in fiscal 2011 designed for promotional activities. Canal Place is also expecting to replace aging printers and to upgrade data back-up capabilities on existing computers.

The allowance for fuel and utilities was reduced by \$20,000 to match actual expenditures for fiscal 2009.

## ***Issues***

---

### **1. Phaseout of Canal Place General Fund Appropriation**

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* in fiscal 2012 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. The working appropriation is \$87,845.

The general fund allowance for fiscal 2011 is \$34,000. This represents a decline of over 61%.

Canal Place is continuing to increase its special funds to compensate for the general fund phaseout. 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 from grants. Beginning in fiscal 2010, special funds also include a share of the hotel tax revenues as per the agreement with the localities. The fiscal 2011 allowance reflects an increase of \$96,170 in special funds. Based on revenue projections, the authority expects to be completely self-sustaining by fiscal 2012.

**DLS recommends that Canal Place comment on its plans to be fully fiscally self-sustaining by fiscal 2012.**

### **2. Project Update**

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).

Private development is underway on two parcels of the authority's property. In August 2009, a 108-room hotel opened on Parcel A under the banner of Fairfield Inn & Suites. To date, the hotel reports a 63% occupancy rate. Also, a developer is on board for the development of a restaurant and an office building within a refurbished Footer Dye Works property. In the past year, the developer agreed to demolish the saw tooth structure on the property and has preserved original bricks for use in the refurbished property.

*D90U00 – Canal Place Preservation and Development Authority*

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 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 the finished canal. However, this project is still on hold pending a decision by CSX to use an alternative railroad route.

**DLS recommends that Canal Place brief the budget committees on the status of ongoing and future projects, both public and private.**

## ***Recommended Actions***

---

1. Concur with Governor's allowance.

## ***Current and Prior Year Budgets***

---

### **Current and Prior Year Budgets Canal Place Preservation and Development Authority (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$193	\$286	\$0	\$0	\$479
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	2	35	0	0	37
Cost Containment	-30	0	0	0	-30
Reversions and Cancellations	0	-55	0	0	-55
<b>Actual Expenditures</b>	<b>\$165</b>	<b>\$266</b>	<b>\$0</b>	<b>\$0</b>	<b>\$431</b>
<b>Fiscal 2010</b>					
Legislative Appropriation	\$91	\$449	\$0	\$0	\$540
Cost Containment	-3	0	0	0	-3
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$88</b>	<b>\$449</b>	<b>\$0</b>	<b>\$0</b>	<b>\$537</b>

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

## **Fiscal 2009**

The fiscal 2009 general fund appropriation was increased by \$1,657 due to the cost-of-living adjustment. However, cost containment efforts decreased the original general fund appropriation by \$29,632 due to statewide reductions to health insurance and retiree contributions.

Special funds increased by \$35,000 due to a budget amendment that provided Maryland Heritage Area grant funds and interest income. However, over \$55,000 in special funds was canceled due to a delay in a large maintenance project until fiscal 2010.

## **Fiscal 2010**

The fiscal 2010 cost containment initiative reduced the authority's original appropriation by over \$3,000 in salary and related expenses.

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

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	3.00	3.00	3.00	0	0%
<b>Total Positions</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 83,998	\$ 185,060	\$ 195,609	\$ 10,549	5.7%
03 Communication	8,026	10,211	11,726	1,515	14.8%
04 Travel	311	300	450	150	50.0%
06 Fuel and Utilities	101,145	122,613	102,431	-20,182	-16.5%
07 Motor Vehicles	1,591	885	1,425	540	61.0%
08 Contractual Services	203,270	179,770	217,953	38,183	21.2%
09 Supplies and Materials	18,426	17,850	21,650	3,800	21.3%
10 Equipment – Replacement	2,993	5,700	6,600	900	15.8%
11 Equipment – Additional	559	500	750	250	50.0%
13 Fixed Charges	9,732	4,088	6,908	2,820	69.0%
14 Land and Structures	1,246	9,700	13,500	3,800	39.2%
<b>Total Objects</b>	<b>\$ 431,297</b>	<b>\$ 536,677</b>	<b>\$ 579,002</b>	<b>\$ 42,325</b>	<b>7.9%</b>
<b>Funds</b>					
01 General Fund	\$ 165,413	\$ 87,845	\$ 34,000	-\$ 53,845	-61.3%
03 Special Fund	265,884	448,832	545,002	96,170	21.4%
<b>Total Funds</b>	<b>\$ 431,297</b>	<b>\$ 536,677</b>	<b>\$ 579,002</b>	<b>\$ 42,325</b>	<b>7.9%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.