

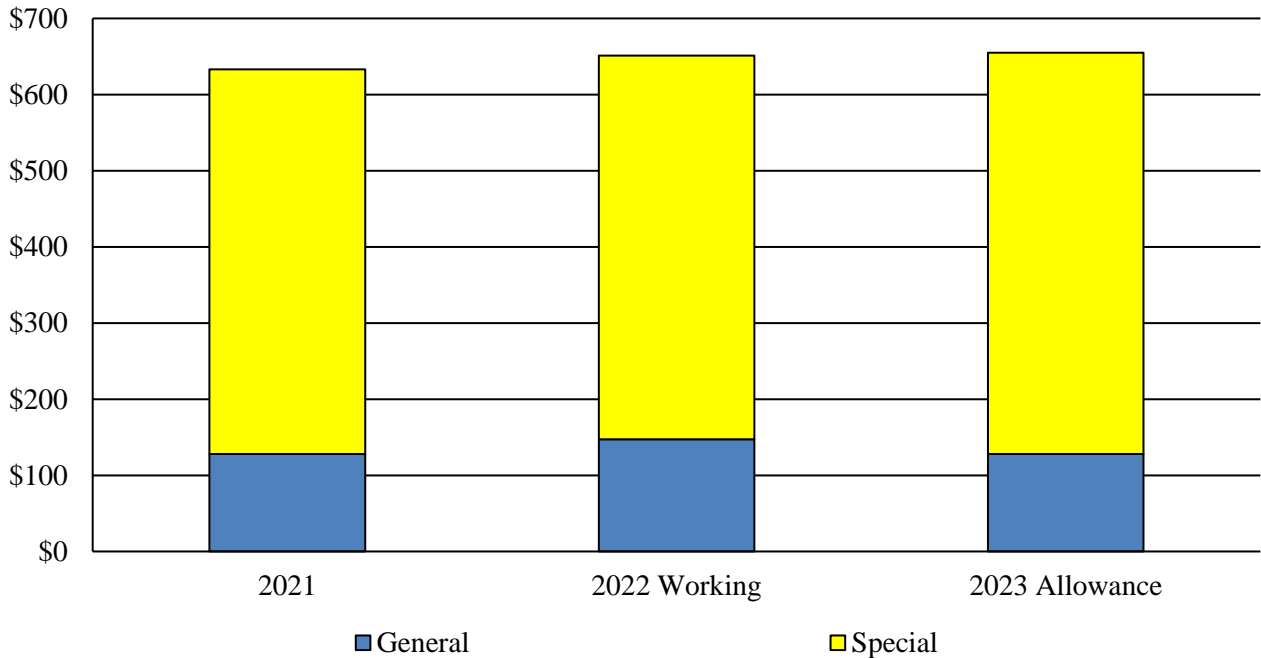
D90U00
Canal Place Preservation and Development Authority

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 (C&O) 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 the 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 2023 Budget Increases \$3,921, or 0.6%, to \$655,178
(\$ in Thousands)



Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

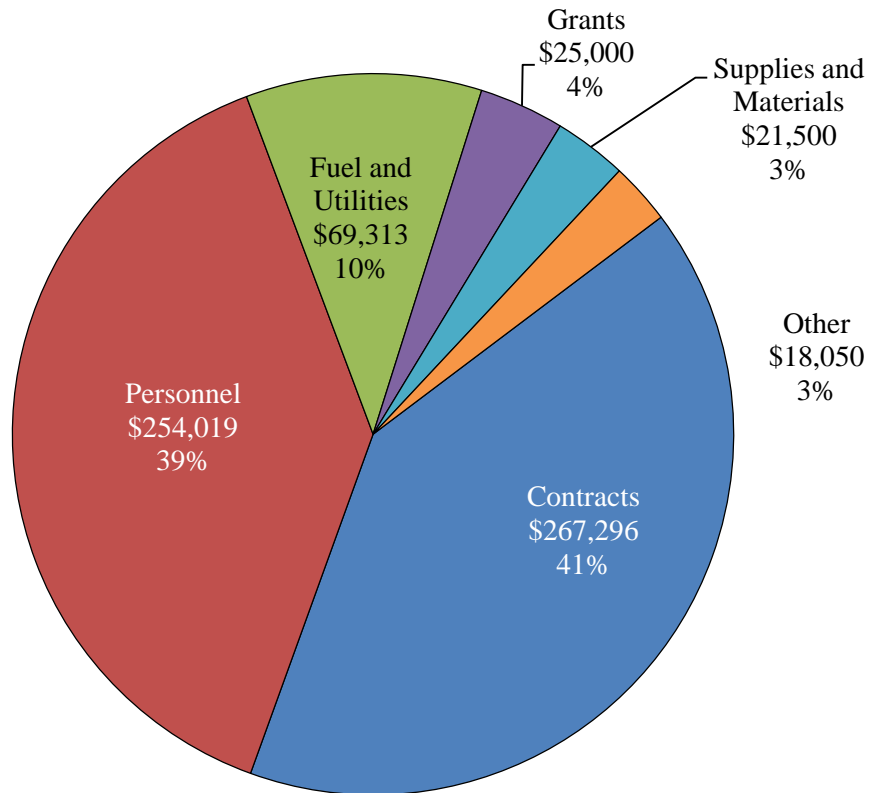
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Fiscal 2023 Overview of Agency Spending

Canal Place’s main expenditure categories are contracts, personnel, fuel and utilities, grants, supplies and materials, and other administrative funding. **Exhibit 1** reflects this breakdown. The contracts funding reflects \$267,296, or 41%, of Canal Place’s fiscal 2023 allowance. The three largest contracts are \$153,938 for cleaning services and maintenance for the Western Maryland Railway Station and shops, \$34,000 for an Assistant Attorney General, and \$5,016 for the Department of Information Technology (DoIT) fee-for-service business model. The personnel category includes funding for Canal Place’s 3 regular positions and accounts for \$254,019, or 39%; fuel and utilities are \$69,313, or 10%, for water, electricity, and gas for historic buildings. The agency also receives funding of \$25,000, or 4%, from the Heritage Area’s mini-block grant funding from the Maryland Heritage Areas Authority (MHAA) within the Maryland Department of Planning, which is then distributed to local nonprofits in the Heritage Area.

Exhibit 1
Overview of Agency Spending
Fiscal 2023 Allowance



Source: Department of Budget and Management; Department of Legislative Services

Proposed Budget Change

Exhibit 2 shows that the fiscal 2023 allowance increases by \$3,921 – an increase of \$23,180 in special funds and a decrease of \$19,259 in general funds – or 0.6%, from the fiscal 2022 working appropriation. The increased special funds primarily are due to increased revenues anticipated as a result of the return of the Western Maryland Scenic Railroad and the filling of other leases, although the new lease payment with the Western Maryland Scenic Railroad no longer includes the \$3 per rider railroad train ticket recovery amount. The decreased general funds reflect the correct budgeting for DoIT enterprise services costs; therefore, the funding provided in the fiscal 2022 budget to correct an overbudgeting error is no longer needed. Canal Place’s base \$128,000 general fund appropriation, all of which is budgeted for Tim Martin Home Improvements – Canal Place’s all-purpose physical plant contractor – remains unchanged. Changes in personnel funding are discussed first and then other administrative changes.

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

How Much It Grows:	General Fund	Special Fund	Total
Fiscal 2021 Actual	\$128	\$505	\$633
Fiscal 2022 Working Appropriation	147	504	651
Fiscal 2023 Allowance	<u>128</u>	<u>527</u>	<u>655</u>
Fiscal 2022-2023 Amount Change	-\$19	\$23	\$4
Fiscal 2022-2023 Percent Change	-13.1%	4.6%	0.6%
 Where It Goes:			<u>Change</u>
Personnel Expenses			
Reclassification.....			\$5
Other fringe benefit adjustments.....			0
Employee and retiree health insurance			-9
Other Changes			
<i>Administration</i>			
Telephone			1
In-state conferences/seminars/training			1
Motor vehicles			0
Fixed charges, including a decrease for association dues.....			0

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Where It Goes:	<u>Change</u>
<i>Physical Plant</i>	
Fuel and utilities	5
Supplies and materials, including an increase for housekeeping.....	4
Contracts, including increase for janitorial services and decrease for Department of Information Technology services	-3
Total	\$4

Note: Numbers may not sum to total due to rounding. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Personnel

Canal Place’s personnel costs decrease by \$3,985 in the fiscal 2023 allowance. The largest changes include an increase of \$5,346 for reclassification, related to the administrative officer position, and a decrease of \$9,156 for employee and retiree health costs. Other minor changes include increases of \$320 for pension costs, \$132 for salaries, and a decrease of \$497 for unemployment compensation and \$130 for Social Security contributions.

Other Administrative Changes

Canal Place’s fiscal 2023 allowance increases by \$7,906 in nonpersonnel spending. The nonpersonnel spending may be broadly categorized as spending related to administration and the physical plant.

Administration

Administration costs increase by \$900 for telephone expenditures; \$500 for in-state conferences, seminars, and training; and \$216 for motor vehicles. Fixed charges decrease by \$347, which includes increases of \$653 for insurance coverage paid to the State Treasurer’s Office and \$500 for subscriptions and a decrease of \$1,500 for association dues related to the Chamber of Commerce and heritage areas.

Physical Plant

Canal Place’s property includes the Shops at Canal Place, the Footer’s Dye Works building, the Western Maryland Railway Station, festival grounds, the ground on which the Fairfield Inn stands, two pedestrian bridges, a full-scale replica canal boat, and three parking lots. Canal Place’s responsibility for building improvements rests with the Western Maryland Railway Station and the Shops at Canal Place.

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The largest increases in physical plant costs include \$5,317 for fuel and utilities and \$4,400 for supplies and materials, which includes an increase of \$3,500 for housekeeping and \$1,500 for building and household costs as well as a decrease of \$1,600 for landscaping. The largest decrease in physical plant costs are for contracts. Contracts costs increase by \$16,000 for janitorial services and decrease by \$19,259 for DoIT’s enterprise services costs.

Personnel Data

	<u>FY 21 Actual</u>	<u>FY 22 Working</u>	<u>FY 23 Allowance</u>	<u>FY 22-23 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>
Total Personnel	3.00	3.00	3.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/21	n/a	n/a
Vacancies Above (Below) Turnover	n/a	

- There is no change in the regular positions between fiscal 2022 and 2023. The administrative aide position was vacated in August 2021, but Canal Place filled the position in January 2022.

Key Observations

1. Canal Place’s Future Remains Unclear

Canal Place’s future has been studied multiple times in recent years per legislation, but no final reports have been completed. Chapters 618 and 619 of 2020 (Task Force on the Canal Place Preservation and Development Authority – Reestablishment) reestablished the task force to complete the work begun under Chapter 789 of 2018 but similarly did not finish with a final report. Chapters 618 and 619 required a determination of how to alter the powers of Canal Place as a State agency in order to align the mission and purpose of the Canal Place Heritage Area with that of other certified heritage areas. A report was due to the Senate Budget and Taxation Committee and the House Appropriations Committee by September 1, 2020.

Canal Place notes that the appraisals of the Canal Place property were completed in calendar 2019, but there have been no follow-up meetings with the task force since July 30, 2019, and the task force report has not been completed. Instead, Canal Place notes that it has pursued a recommendation that Canal Place be merged into the Department of Natural Resources (DNR) as a Maryland State Park. To this end, Canal Place submitted a letter of request to the Secretary of Natural Resources in December 2021. The request appears to be related to the work of the State Park Investment Commission that met during the 2021 interim; the commission recommended that the Maryland Park Service increase the capacity to offer water-based recreational opportunities. Canal Place notes that the River Park at Canal Place, discussed in an update in this analysis, would make a great addition to the Maryland State Park system. **The Department of Legislative Services (DLS) recommends that Canal Place discuss the status of the request to merge the Canal Place Preservation and Development Authority into DNR.**

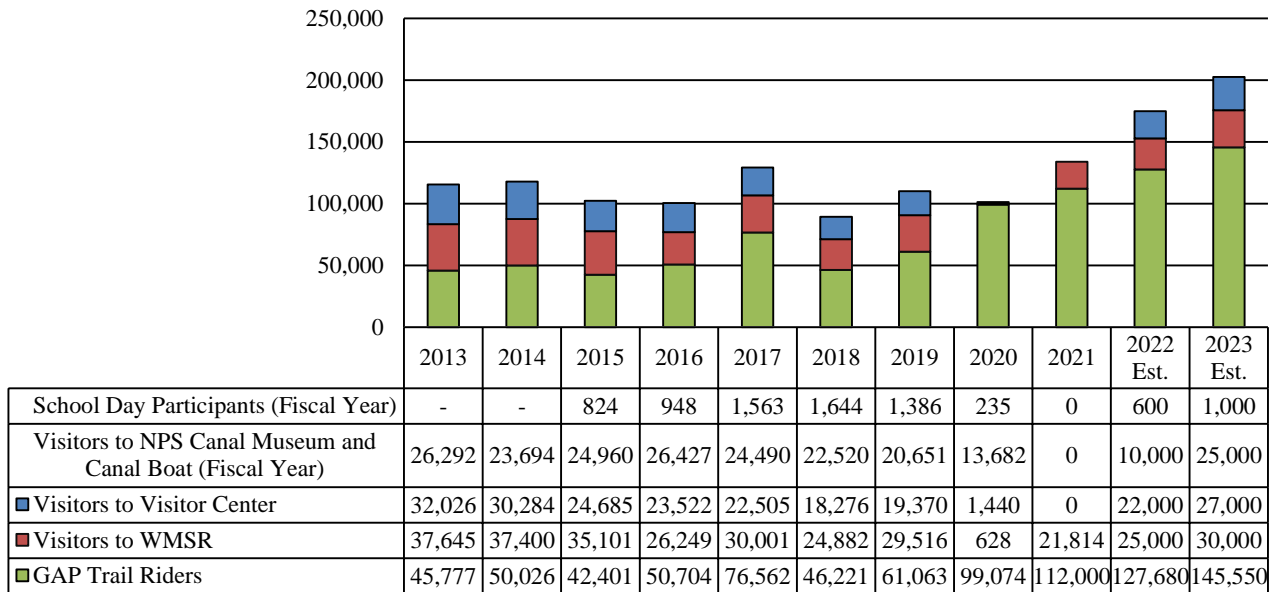
2. Canal Place’s Revenue Challenges Appear to Be Resolved but Questions Remain

Canal Place’s fiscal 2022 budget analysis discussed concerns about Canal Place’s revenues due to the COVID-19 pandemic. Particular revenue challenges included the following: tenant departures from space leased by Canal Place; underperformance of a revenue contract; and possible ongoing revenue challenges due to uncertainty about the tenancy of the Western Maryland Scenic Railroad. The fiscal 2023 allowance anticipates a \$23,180, or nearly 5%, increase in special fund revenues, which appears to reflect a resolution to its revenue challenges. For instance, the Western Maryland Scenic Railroad returned to the Western Maryland Railway Station in May 2021 and Canal Place has a new one-year lease with the railroad, which is leasing the entire second floor of the station for \$5,000 per month. However, the \$3 per rider fee has been discontinued. In addition, ongoing issues with a broken parking gate, which resulted in no revenue contributions in fiscal 2021, remain unresolved. **DLS recommends that Canal Place comment on the stability of its revenue sources and whether they are sufficient to support the fiscal 2022 and 2023 special fund appropriations.**

3. Visitors and Events

The Heritage Area attracts visitors through activities and events. **Exhibit 3** shows the number of visitors for different events and localities within the Heritage Area. Due to the COVID-19 pandemic, there was a decline in all categories of visitors between calendar/fiscal 2019 and fiscal 2020 except for Great Allegheny Passage Trail riders, with ridership increasing due to the focus on outdoor activity during the pandemic. Similarly, between calendar/fiscal 2020 and 2021, due to pandemic closures, there were no school day participants, no visitors to the National Park Service Canal Museum and Canal Boat, and no visitors to the visitor center. In contrast, both visitors to the Western Maryland Scenic Railroad and Great Allegheny Passage trail riders increased between calendar 2020 and 2021. The increase in visitors to the Western Maryland Scenic Railroad appears to reflect the return of the Railroad to Canal Place in May 2021, while the increase in Great Allegheny Passage trail riders appears to be at least partially due to an estimate of trail ridership based on prior trends.

Exhibit 3
Visitors
Calendar 2013-2023 Est.



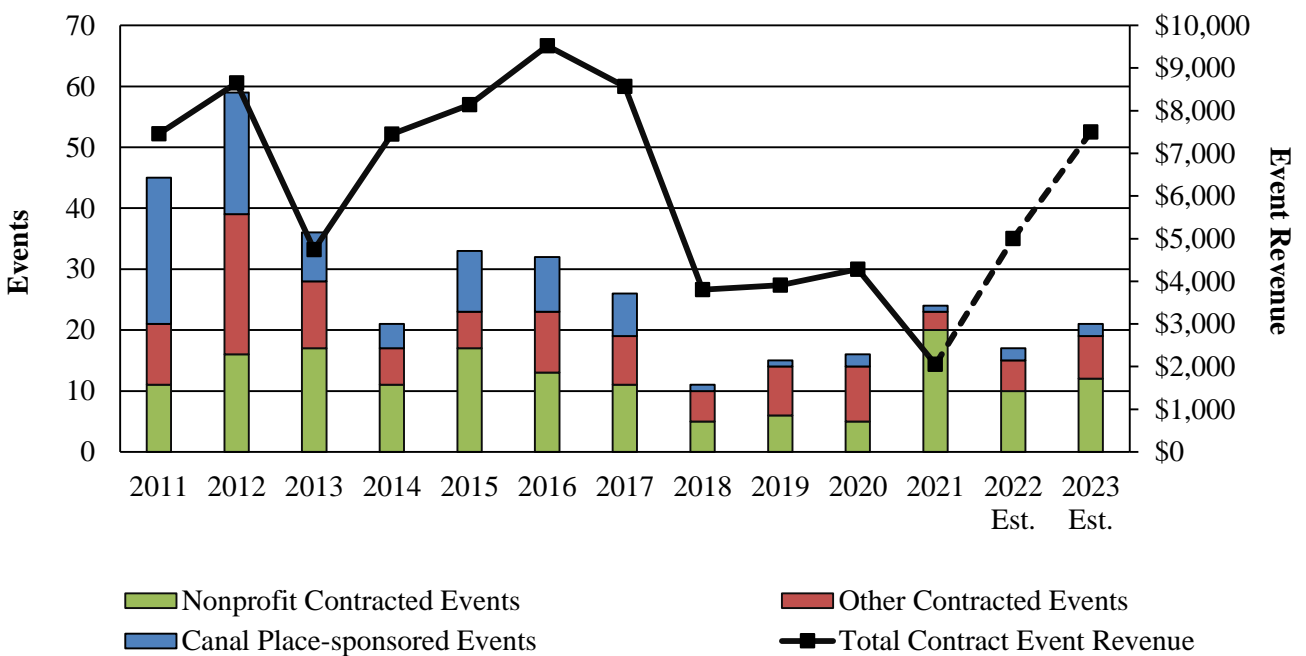
GAP: Great Allegheny Passage
 NPS: U.S. National Park Service
 WMSR: Western Maryland Scenic Railroad

Note: The “Visitors to NPS Canal Museum and Canal Boat” and “School Day Participants” information in the data table reflects fiscal year data. There is no fiscal 2013 and 2014 data for “School Day Participants.” The calendar 2021 Great Allegheny Passage trail riders number is an estimate based on a reported 14% annual increase.

Source: Governor’s Fiscal 2015-2023 Budget Books

As shown in **Exhibit 4**, there was an increase in the number of events hosted in fiscal 2021, primarily due to an increase in nonprofit contracted events, but without a corresponding increase in event revenue. Canal Place notes that the nonprofit contracted events increased between fiscal 2020 and 2021 due to the availability of space to host events. In the past, Canal Place jointly funded an events coordinator with the City of Cumberland, contributing to higher event revenues prior to fiscal 2018. No replacement has been hired since that position was vacated.

Exhibit 4
Events and Event Revenue
Fiscal 2011-2023 Est.



Source: Governor’s Fiscal 2013-2022 Budget Books

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

- ***River Park at Canal Place Update:*** Canal Place is facilitating an ambitious multi-year plan called the River Park at Canal Place, which will revamp the connection of the Heritage Area to the Potomac River and accentuate access to the Potomac River in general. The project is broken into six phases spanning calendar 2020 to 2025 and is estimated to cost \$13.7 million per Canal Place or \$15.0 million per a feasibility study/concept plan completed for the project. Canal Place notes that the project is proceeding as planned with Canal Place taking the lead in the River Park construction – a project manager was hired through a joint partnership with the City of Cumberland and Allegany County – and the City of Cumberland taking ownership of the dam under Blue Bridge and thus facilitating the obtaining of funding to remove the dam. Civil and Environmental Consultants Inc. was awarded the bid for the River Park boundary survey, the bathymetric survey, and property owner identification and is currently in the process of conducting the surveys. M2M Consultants was awarded the bid to assist Canal Place with grant opportunities for the construction of the River Park, and the consultants are currently working on determining available grants. In addition, M2M Consultants is working with Land and Water Solutions, a mitigation credit banking firm, to assist with the mitigation portion of the River Park, which includes dam removal, ecological restoration of the Potomac River, installation of a fish passage, and the construction of the whitewater features of the River Park. Canal Place notes that Land and Water Solutions recently submitted the mitigation plan to the U.S. Army Corps of Engineers and the Maryland Department of Environment for review and comment. The mitigation will be funded through the purchase of mitigation credits and through other environmental grants being identified by M2M Consultants.
- ***Management Plan Update:*** Canal Place received \$30,050 in fiscal 2022 MHAA funding in order to complete an update of its management plan, which includes a Passages of the Western Potomac Heritage Area boundary expansion. Canal Place notes that the request for proposals for the plan has been completed and is being advertised with the boundary amendment. A management plan update was completed in 2014, but the plan was never formally approved or adopted by Allegany County or MHAA, thus necessitating the update. The newly advertised plan will incorporate the 2014 plan information, propose a boundary expansion, and include the projects that were established in the original Canal Place masterplan, including the rewatering of the C&O Canal, now underway, and the acquisition of land for parking. A steering committee consisting of stakeholders is being created to choose a qualified consultant to produce the plan and to assist with the completion of the plan, which is expected to be ready by December 2022.
- ***Funding for Audits Resolved:*** Canal Place’s April 2021 audit reflected one finding: Canal Place did not ensure required annual audits of its financial statements were conducted in a timely manner. Canal Place is required to procure independent audits of its financial statements and had not completed this process for fiscal 2018 through 2020. Canal Place noted in April 2021 that it had received bids for the audits – to be completed by July 2022 at the latest – but was hindered by the lack of funding in its operating budget.

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More recently, Canal Place notes the following.

- ***Fiscal 2018 Audit:*** The audit has been completed and approved by Canal Place.
- ***Fiscal 2019-2021 Audits:*** The audits were advertised and placed out to bid with five bids received. Canal Place hired SB and Company, LLC, a minority owned and certified small business, from Owings Mills, Maryland to complete the work. The fiscal 2019 to 2020 audits should be completed by January 2022, and the fiscal 2021 audit has been initiated and should be completed within six months.
- ***Funding:*** Canal Place has addressed the funding need for the audits by generating additional rental income and limiting costs.

**Appendix 1
Audit Findings**

Audit Period for Last Audit:	July 12, 2016 – November 30, 2020
Issue Date:	April 2021
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

Finding 1: Canal Place did not ensure required annual audits of its financial statements were conducted in a timely manner.

*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 2
Object/Fund Difference Report
Canal Place Preservation and Development Authority**

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	3.00	3.00	3.00	0.00	0%
Total Positions	3.00	3.00	3.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 261,376	\$ 258,004	\$ 254,019	-\$ 3,985	-1.5%
03 Communication	7,277	6,800	7,700	900	13.2%
04 Travel	503	3,600	4,100	500	13.9%
06 Fuel and Utilities	56,902	63,996	69,313	5,317	8.3%
07 Motor Vehicles	1,956	1,014	1,230	216	21.3%
08 Contractual Services	264,316	270,376	267,296	-3,080	-1.1%
09 Supplies and Materials	11,112	17,100	21,500	4,400	25.7%
12 Grants, Subsidies, and Contributions	25,457	25,000	25,000	0	0%
13 Fixed Charges	4,283	5,367	5,020	-347	-6.5%
Total Objects	\$ 633,182	\$ 651,257	\$ 655,178	\$ 3,921	0.6%
Funds					
01 General Fund	\$ 128,000	\$ 147,259	\$ 128,000	-\$ 19,259	-13.1%
03 Special Fund	505,182	503,998	527,178	23,180	4.6%
Total Funds	\$ 633,182	\$ 651,257	\$ 655,178	\$ 3,921	0.6%

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.