

D17B0151
FY 2020 Capital Budget Testimony
March 5 & 7, 2019

Summary of Recommended Bond Actions:

Historic St. Mary's City Commission concurs with the recommended action to approve funding for the Maryland Dove replacement project.

Summary of Other Projects in the Capital Improvement Program:

While the 2018 session capital budget bill preauthorized \$10 million for fiscal 2020 and \$5 million for fiscal 2021 for the construction of the Maryland Heritage Interpretive Center (MHIC), there is no fiscal 2020 funding for the project included in the budget. The 2019 CIP does show \$14.962 million planned for fiscal 2022. The project has received previous funding of \$2.637 million for planning purposes. However, all but \$1 million of that was for planning purposes that have since become outdated. The fiscal 2019 budget included \$1 million to update architectural plans and to perform archaeology work necessary before construction could begin. MHIC would provide both modern exhibition space and preservation laboratories and would allow for the retirement of the current visitor center, which is both antiquated and poorly located. It would also allow for the commission to work more closely with St. Mary's College of Maryland, which recently completed Anne Arundel Hall adjacent to the proposed MHIC facility. ***HSMCC should comment on the operating impact of this project once completed, including the number of new personnel that would be required and the annual costs of personnel and other operating expenses.***

The 2020-2024 CIP notes the MHIC "was removed from the FY 2019 - 2023 CIP primarily due to concerns that HSMCC would not be able to operate the new building without additional State operating funds. However, HSMCC has since demonstrated an improved fiscal outlook."

The Commission's improved fiscal outlook is due to a number of new initiatives and the addition of a new staff member.

Improved Revenue Projections:

HSMC anticipates approximately \$67,000 in additional annual revenue by the time the MHIC opens. The sources of this revenue include:

- Expanded Operations – The MHIC will allow the museum to offer a first class visitor experience twelve months a year. This schedule adds three additional months of operation as the living history exhibits close during the winter months. We anticipate increased visitation from schools and the general public.

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- Site Rentals – Site rentals include but are not limited to weddings, special dinners, retirements, reunions, proms, holiday events, etc. Our goal this year is to increase over FY18 by 10% with similar incremental increases over the next five years. We are tracking right now at 15 – 20 weddings at all of our rentable locations. Clients are booking for FY20 and FY21. To meet the needs and attract clients at all income levels, we are also rolling out a specially priced package. With the expanding competition in the County we are working diligently to position HSMC as a top tier location for all special events. Our new pavilion should be constructed by FY2021, adding an additional venue for rental. We thank Governor Hogan for his funding support of this project. The MHIC itself will also be available for rental for meetings, conferences and receptions.
- Kitchen Lease –We entered into a lease agreement with Enso Kitchen for our commercial kitchen at the Farthing's complex. Enso Kitchen operates year-round and offers baked goods and sandwiches to general visitors and members of the community. The response to Enso Kitchen has been very positive; owner Rube Yen is working hard to meet increasing demand. Rent for the site is \$1,200 with a 5% increase yearly over the next five years.
- Campgrounds – The Commission has opened primitive camping at Chancellor's Point with the support of federal and state grant funds. The site is being booked by sailing groups, scouts, and fans of primitive camping locations. A full year of operation will help us establish a benchmark at this time; we expect to earn between \$2,500 - \$5,000 in FY 2019.
- Vacation Rentals – A life lease was terminated in early FY2019 and this released two houses to the Commission for operation. HSMC will list these properties as vacation rentals with sites such as Airbnb. We project a minimum of 25% increase in lodging revenue.

Staffing:

The Commission was very grateful to receive a PIN for the External Relations Manager position in Governor Hogan's FY2019 Supplemental Budget and receive approval by the General Assembly. This full time marketer will focus full-time on increasing admissions, site rentals, gift shop sales and camping rentals. She will also conduct research to expand current markets as well as identify and tap into new markets. This will relieve the burden on other staff who can spend more of their time on educational program development, evaluation of current products, and working with the marketing to tailor museum products to our multiple markets.

HSMC does not anticipate additional staffing needs for the MHIC. The current Visitors Services staff will relocate to the MHIC.

Operating Budget:

The Commission has developed a reasonable projected operating budget that demonstrates it will be able to operate the facility which will generate revenue. Annual maintenance and utility costs are based on the current budget for Anne Arundel Hall. Other annual costs are based on an

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average per square foot for building operation at the museum multiplied by the GSF of the MHIC.

Operating Impact Statement

Category	% Expense Per GSF *	X MHIC GSF	Annual Expense
Salary	51%	x 12,279	25,925
Technical and Specialty Fees	13%	x 12,279	6,608
Communications	1%	x 12,279	508
Fuel & Utilities	\$3.50	x 12,279	42,976
Vehicle ops	4%	x 12,279	2,033
Contractual Services	19%	x 12,279	9,658
Supplies & Materials	12%	x 12,279	6,100
Equipment - Replacement	2%	x 12,279	1,016
Equipment - New	1%	x 12,279	508
<i>*Based on \$4.14 per GSF average</i>			
TOTAL			95,337

Income source	Unit	Unit Price	Ext Revenue
site rentals	5	2,500	12,500
theater rentals	2	1,800	3,600
school tours: students (75 x 15 wks)	1,125	7	7,875
school tours - chaperones	50	10	500
group tours - adults	500	9	4,500
public visitors	2,500	8	20,000
gift store	2,500	4	10,000
Wedding revenue from Pavilion	5	6,000	30,000
Vacation rentals (nightly fee avg)	65	100	6,500
TOTAL			95,475

*Includes custodial, HVAC, grounds expenses

NET Revenues/Expenses

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