

*Martin O'Malley
Governor*

*Anthony G. Brown
Lt. Governor*

Authority Members

*Chairman Andy Vick
Allegany Arts
Council*

*John Bowman
Frostburg State
University*

*Kevin Brandt
U.S. Department of
the Interior*

*Doug Reed
Maryland Historical
Trust*

*Nick Scarpelli
City of Cumberland*

*Rick Thayer
First United Bank &
Trust*

*Mark Widmyer
Advantage Computer
& Communications*

Executive Director
Renee Bone



December 27, 2011

The Honorable Edward J. Kasemeyer
Chairman
Senate Budget & Taxation Committee
and
The Honorable Norman H. Conway
Chairman
House Appropriations Committee
Maryland General Assembly
Legislative Services Building
90 State Circle
Annapolis, Maryland 21401-1991

Dear Senator Kasemeyer and Delegate Conway:

Thank you for your interest in the Canal Place Preservation & Development Authority and for giving us the opportunity to provide additional information on the feasibility of the Authority transitioning to non-state ownership.

The Authority and Department of Budget Management would like to request an extension of the due date of this report from December 31, 2011 to February 15, 2012. This additional time is needed to allow us to finish a thorough examination of the Authority's situation and provide you with a comprehensive report.

Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

Renee A. Bone
Executive Director

cc: Senator George Edwards
Delegate Wendell R. Beitzel
Delegate Kevin Kelly
Delegate LeRoy E. Myers, Jr.
Ms. Cathy Kramer
Ms. Jody Sprinkle
Ms. Kate Dailey

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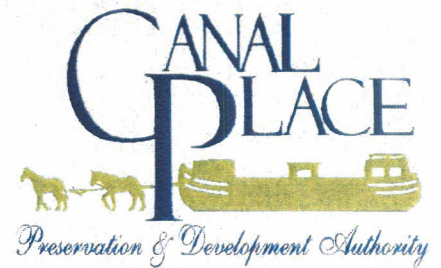
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Executive Director
Renee Bone



February 1, 2012

The Honorable Edward J. Kasemeyer
Chairman, Senate Budget & Taxation Committee
3 West, Miller Senate Office Building
Annapolis, Maryland 21401-1991

The Honorable Norman H. Conway
Chairman, House Appropriations Committee
121 House Office Building
Annapolis, Maryland 21401-1991

Dear Chairman Kasemeyer and Chairman Conway:

Language on page 19 of the 2011 Joint Chairmen's Report requests the Canal Place Preservation and Development Authority (Authority), in consultation with the Department of Budget and Management (DBM), to submit a report on the feasibility of transitioning the Authority to non-State ownership. We appreciate your interest in the Authority.

The Authority is currently at a crossroads in determining its future course. Renee Bone has submitted her resignation as Executive Director, and her last day will be February 7, 2012. The Authority is presently working to determine the best course of action to handle her departure in the short-term and to develop a long-term plan for the organization's leadership. The Authority is also in the process of updating the management plan for the heritage area, which will incorporate expanded boundaries within Allegany County.

Allegany County and the City of Cumberland agreed to provide financial assistance to the Authority for a period of three fiscal years, by sharing a percentage of the hotel/motel tax they collected from the operations of the Fairfield Inn & Suites constructed at Canal Place. That commitment ends on June 30, 2012. Over the last several months, a series of meetings were held with officials from Allegany County and the City of Cumberland to discuss Canal Place funding, the future of Canal Place, and the Authority's structure and sustainability. Also discussed was the feasibility of changing the Authority to a non-profit organization or placing it under the jurisdiction of one of the local governments.

The Authority must consider a number of circumstances when making choices that will impact its organizational structure, stability and

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sustainability. If the Authority were no longer to remain a State agency, the benefits and drawbacks are as follows:

Benefits

- The Authority incurs costs through the Department of Information Technology annually for access to Network Maryland and for the use of FMIS. These costs could be saved if the Authority were no longer a State agency.
- The Authority would reduce the amount of staff time needed to complete administrative reporting functions.
- The Authority would have a more simplistic procurement process.
- The Authority could possibly save some funds by having independent audits conducted bi-annually rather than annually.

Drawbacks

- Insurance coverage is currently provided through the State of Maryland. Because the State is self insured, the annual premiums are quite low. If the Authority were to become a non-profit, these costs would rise significantly.
- The Authority would lose the benefit of its counsel through the Attorney General's Office. We estimate that the cost of securing local counsel would run slightly more for the same level of service. The true impact would come in the loss of institutional knowledge from counsel that has been with the Authority since the beginning.
- The Authority would have to secure and pay for annual elevator and boiler inspections that are currently provided by the State at no cost
- The Authority has always operated with a balanced budget, but cash flow is sporadic throughout the fiscal year. If the Authority were to become a non-profit organization, it could become difficult to pay staff and operational expenses.
- The three State PINS would be lost and the employees occupying those PINS would lose all of the benefits associated with State employment (retirement, benefits, leave, holidays, and possibly a reduction in salary).

The downturn of the economy has not aided the Authority's sustainability efforts. As a result of numerous vacancies in the Shops at Canal Place and with the

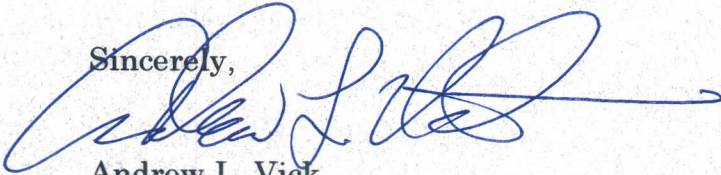
The Honorable Edward J. Kasemeyer &
The Honorable Norman H. Conway
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development of the restaurant pad on Parcel B on hold the Authority is experiencing a decline in its revenue streams. While Allegany County and the City of Cumberland were able to step forward and provide financial assistance to the Authority three years ago, it will be much more difficult for them to do so now as their budgets are also under considerable stress. As a result, they will likely reduce their financial support to the Authority. They are certainly not in a position to assume responsibility for the ownership and maintenance of the property held by the Authority.

In light of the above circumstances, it is our recommendation that the Canal Place Preservation and Development Authority remain a State agency at this point in time. However, the possibility of relinquishing our State agency status is still a future option, and one that we will continue to investigate as we move forward. In preparation of this report, Authority staff has consulted with the Department of Budget and Management. DBM has reviewed this report and concurs with our recommendations.

Please do not hesitate to contact us if you have any questions or require any additional information.

Sincerely,



Andrew L. Vick
Chairman

cc: The Honorable George Edwards
The Honorable LeRoy Myers
The Honorable Eloise Foster
Deputy Secretary Matt Power
Bill Pencek
Rebecca Burner
Kate Dailey
Jody Sprinkle
Phil Deters