

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1016
Appropriations

(Calvert County Delegation)

Budget and Taxation

Calvert County - Public Facilities Bonds

This bill authorizes the Calvert County Commissioners to issue up to \$12,325,000 in general obligation bonds for the construction, improvement, or development of public facilities capital projects and any cost incurred by the county in connection with the projects. The date of maturity of the bonds cannot exceed 30 years.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: None.

Local Effect: Calvert County receives up to \$12.3 million in bond proceeds. County debt service expenditures increase by an estimated \$1.1 million annually over a 15-year period.

Small Business Effect: None.

Analysis

Current Law: Commission counties do not have the legislative power to create debt; General Assembly authorization is required before any bonds can be sold. Calvert County is one of eight counties that still operate under the commission form of government.

Background: In recent years, Calvert County received authorization by the General Assembly to issue up to \$118.4 million in general obligation bonds for public facilities

(Exhibit 1). The planned project areas for which bond proceeds would be used under this bill is depicted in Exhibit 2.

Exhibit 1
Bond Authorizations for Calvert County

<u>Session</u>	<u>Chapter Number</u>	<u>Authorized Amount</u>
2006	Ch. 105	26.1 million
2007	Ch. 597	53.1 million
2008	Ch. 77	8.9 million
2009	Ch. 381	19.0 million
2010	Ch. 135	11.3 million
5-year Total		\$118.4 million

Exhibit 2
Calvert County Public Facilities Bonds
Calendar 2011

<u>Purpose</u>	<u>Amount</u>
Barstow Gas Remediation	\$630,000
Chesapeake Hills Golf Course	1,200,000
PF Loop Road	4,410,000
Solomon's Town Center Park	780,000
Substance Abuse Facility	970,000
Lusby Convenience Center	1,000,000
East PF Well & Tower	1,000,000
Solomon's Headworks	940,000
St. Leonard Well & Elevated Storage	1,395,000
Total	\$12,325,000

During fiscal 2009, Calvert County's net bonded debt increased from \$123.8 million to \$126.4 million. This represented a \$2.6 million or 2.1% increase from the prior year.

In 1990, the county adopted a debt affordability model to ensure debt levels are kept at an affordable, manageable, and moderate level. In fiscal 2009, a debt policy was adopted to comply with a new State requirement, thereby creating maximum acceptable debt ratios for the county. These ratios and the corresponding maximum acceptable levels are as follows: (1) debt to assessed value, 4.5%; (2) debt service as a percent of general fund revenue, 9.5%; and (3) debt service per capita, \$1,500.

For fiscal 2010, debt service (\$17.2 million) comprised 7.6% of general fund revenue. The county's net bonded debt to assessed value totaled 0.8% and the county's net bonded debt per capita totaled \$1,394. In November of 2010, the county's bond ratings were ranked as Aa1 by Moody's Investor's Service, AA+ by Standard and Poor's, and AAA by Fitch Ratings.

Local Fiscal Effect: Calvert County revenues increase by up to \$12.3 million from bond proceeds. Annual debt service costs for the bonds total \$1.1 million. This estimate is based on a 4.41% interest rate and a 15-year term of maturity. To the extent that the bond issuance, interest rate, or term of maturity deviate from this assumption, expenditures adjust accordingly.

Additional Information

Prior Introductions: None.

Cross File: SB 207 (Calvert County Senators) – Budget and Taxation.

Information Source(s): Calvert County, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2011
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