

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

Senate Bill 369

(Senator Edwards)

Budget and Taxation

Appropriations

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Garrett County - Bonds for Garrett County Memorial Hospital

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This bill authorizes the Garrett County Commissioners to issue up to \$15.0 million in general obligation bonds for specified hospital improvements to Garrett County Memorial Hospital.

The bill takes effect July 1, 2013.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Garrett County receives up to \$15.0 million in bond proceeds for the Garrett County Memorial Hospital. Debt service will be paid by the Garrett County Memorial Hospital under an agreement with the county.

**Small Business Effect:** None.

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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. Garrett County is one of seven counties that still operate under the commission form of government.

**Background:** Chapter 93 of 2002 (HB 1232) authorized Garrett County to issue up to \$7.5 million in general obligation bonds for expansion and renovations to the Garrett County Memorial Hospital.

Garrett County advises that the \$15.0 million in bond proceeds would be used to fund a variety of capital projects at the Garrett County Memorial Hospital in Oakland, including the construction of a new wing onto the existing hospital, and renovations to about one-third of the existing space. The project is primarily focused on inpatient enhancements.

Garrett County Memorial Hospital is a 55-bed, not-for-profit, acute care facility. The hospital includes 55 inpatient beds, a 4-bed Intensive Care Unit, a 10-bed Subacute Rehabilitation Unit, Family Centered Maternity Suite, a 13-bed Outpatient Surgical Unit with a 4-bed Surgical Suite. The laboratory, radiology, and respiratory departments are full service ancillary units equipped with state of the art technology and the Emergency Services Department is open 24 hours a day and serves approximately 19,000 patients annually.

Garrett County's fiscal 2012 Comprehensive Annual Financial Report indicates that \$1.4 million in refunding bonds were issued in November 2004 and are being repaid by the hospital in semi-annual payments of \$51,718. In addition \$3.0 million in refunding bonds were issued in June 2007 and are being repaid by the hospital in monthly payments of \$14,550. Both series of refunding bonds were issued to refinance a portion of previously issued Garrett County Memorial Hospital Bonds, with all debt service payments to the county being made from hospital revenues.

**Local Fiscal Effect:** Garrett County revenues increase by up to \$15.0 million for the Garrett County Memorial Hospital. Garrett County will issue the bonds on behalf of the hospital. While the bonds will be issued in the county's name under the full faith and credit of the county, debt service will be paid by the hospital from hospital revenues. The county will enter into an agreement with the hospital's board of governors and this agreement will outline the responsibilities of the hospital for debt service payments. The debt service will be paid directly from the hospital to the financing institution. The terms and interest rate are yet to be determined. The county indicates that once legislative authority to borrow is granted, it will solicit quotes for the financing rates and terms. The county advises that its past practice has been to solicit quotes from local banks rather than going to public market. The county has been able to obtain fair interest rates while eliminating the bond issuance fees that would incur if it went to the public market with these issuances. Bond issues on the public market typically carry a term of 20 or 30 years.

At the end of fiscal 2011, Garrett County had approximately \$32.5 million in total net debt outstanding. The outstanding debt represented 0.7% of the county's assessable base and \$1,081 on a per capita basis. In July 2012, the county was assigned an A credit rating by Standard and Poor's and an A1 credit rating from Moody's Investors Service.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 452 (Delegate Beitzel) - Appropriations.

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

**Fiscal Note History:** First Reader - February 8, 2013  
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