

D28A03
Maryland Stadium Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$16,836	\$12,175	\$12,530	\$355	2.9%
Deficiencies and Reductions	0	271	0	-271	
Adjusted General Fund	\$16,836	\$12,446	\$12,530	\$85	0.7%
Special Fund	20,000	40,000	40,000	0	
Deficiencies and Reductions	0	0	0	0	
Adjusted Special Fund	\$20,000	\$40,000	\$40,000	\$0	0.0%
Nonbudgeted Fund	56,530	90,220	360,980	270,759	300.1%
Deficiencies and Reductions	0	0	0	0	
Adjusted Nonbudgeted Fund	\$56,530	\$90,220	\$360,980	\$270,759	300.1%
Adjusted Grand Total	\$93,366	\$142,666	\$413,510	\$270,844	189.8%

- The fiscal 2017 allowance includes a fiscal 2016 general fund deficiency of \$270,758 to supplement the State's share of the operating deficit of the Baltimore City Convention Center. An additional deficiency of \$1,132,645 is included to fully fund the fiscal 2015 State obligation to the convention center deficit.
- The Maryland Stadium Authority's (MSA) fiscal 2017 budget increases significantly (\$270.8 million) over the fiscal 2016 working appropriation. This is almost exclusively related to MSA's involvement in the Baltimore City School Revitalization Program and the first full year of construction and related costs.
- Nonbudgeted funds increase by \$270.7 million in fiscal 2017. While the vast majority of the increase is related to the school construction program, about \$9.1 million of the increase is related to planned capital improvements at the Camden Yards complex.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	107.00	109.00	109.00	0.00
Contractual FTEs	<u>14.50</u>	<u>15.00</u>	<u>15.00</u>	<u>0.00</u>
Total Personnel	121.50	124.00	124.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/15	17.00	15.60%

- MSA reports 109.0 full-time equivalents (FTE) and 15.0 contractual FTEs in fiscal 2017. Of the regular positions, 13.85 FTEs are dedicated to the Baltimore City School Revitalization Program. Personnel expenses are budgeted entirely through the nonbudgeted resources of MSA.

Analysis in Brief

Major Trends

Events Decline in Fiscal 2015; Revenues Remain Stable: Nonprofessional sporting events, other seating bowl events, and catered events are held at the Camden Yards Complex each year in order to supplement revenues. In fiscal 2015, the number of these events declined significantly from the previous year. However, the revenue associated with these events actually exceeded estimates.

Statewide Sports Marketing Effort Yields Results: The authority's Office of Sports Marketing has the goals of attracting and hosting national and international sporting events and developing and promoting a sports tourism industry in the State. This is the first year in which MSA is reporting performance measures related to the office through the budget process. The office will be tracking the number of statewide amateur events, number of visitors due to sports travel, and direct spending through amateur sports.

Issues

Progress Made under Baltimore City School Revitalization Program: In fiscal 2013, the Board of Public Works approved the Memorandum of Understanding (MOU) between MSA, the Interagency Committee on School Construction, the Baltimore City School Board, and the Mayor and City Council of Baltimore City. The MOU outlines plans, responsibilities, and goals related to the construction and renovation of city schools authorized by Chapter 647 of 2013. MSA expects to issue its first bond issuance in February 2016 for the early construction and renovation projects. **The Department of Legislative Services (DLS) recommends that MSA briefly update the budget committees on the progress of the Baltimore City School Revitalization program; specifically, on the status of the financing and the impact on MSA operations.**

MSA to Assist State Housing Agency with Project C.O.R.E.: In a January 5, 2016 press release, the Administration announced the Project C.O.R.E (Creating Opportunities for Renewal and Enterprise) initiative to address housing blight in Baltimore City. Project C.O.R.E. is a city/State partnership designed to demolish vacant buildings in Baltimore City and replace them with green space. The Department of Housing and Community Development will partner with Baltimore City and MSA over a four-year period. **DLS recommends that MSA brief the budget committees on its role in Project C.O.R.E. and how it expects to manage the project given its current resources.**

Recommended Actions

1. Concur with Governor's allowance.

Updates

Project Updates: The statute authorizes MSA to assist State agencies and local governments in managing construction projects or conducting feasibility studies. Several projects/studies are recently completed or are still ongoing, such as the construction of the Montgomery County Conference Center garage and the Ocean City Convention Center Expansion study.

D28A03
Maryland Stadium Authority

Operating Budget Analysis

Program Description

The Maryland Stadium Authority (MSA) was established in 1986 as an independent unit in the Executive Department responsible for the construction, operation, and maintenance of facilities for professional baseball and football teams.

Since the Ravens football and Oriole baseball stadiums were constructed, the MSA authority has been extended to include construction and financing for other projects. Legislation enacted in 1992 assigned MSA the responsibility for the expansion of the Baltimore City Convention Center (BCCC) and in 1995, the authority was authorized to handle construction management of the Ocean City Convention Center (OCCC) expansion. Legislation in 1996 authorized MSA to participate with Montgomery County in the construction of a conference center, and in 2000, the authority was authorized to participate in the construction of the Hippodrome Performing Arts Center in Baltimore. Finally, in 2013, the MSA responsibilities were expanded to include the financing and construction management of a new program of school constructions in Baltimore City.

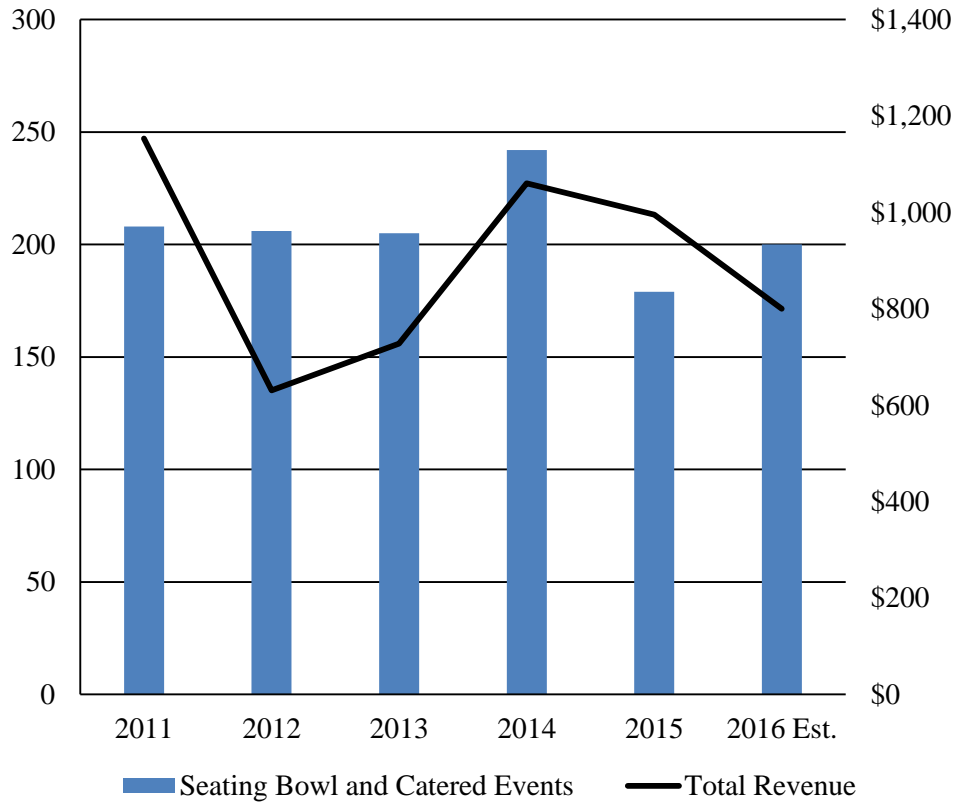
MSA may, in fact, manage any type of construction project for local governments and State agencies. The contracting agency must show that it can fund the project, and the budget committees must have 30 days to review and comment on the proposed work. Furthermore, the statute authorizes MSA to use up to \$500,000 annually of its nonbudgeted funds to conduct feasibility studies, with the concurrence of the budget committees.

Performance Analysis: Managing for Results

1. Events Decline in Fiscal 2015; Revenues Remain Stable

Nonprofessional sporting events and other seating bowl events are held at the Camden Yards Complex each year in order to supplement revenues. MSA also hosts various catered events at the complex to generate additional revenues. **Exhibit 1** shows the number of events each year and the amount of revenue generated from those events.

Exhibit 1
Camden Yards Sports Complex Nonprofessional Events
Fiscal 2011-2016 Est.
(\$ in Thousands)



Source: Maryland Stadium Authority

In fiscal 2015, MSA was able to attract considerably fewer events to the complex. However, revenues associated with those events exceeded expectations. It is likely that MSA experienced fewer catered events at the end of the fiscal year due to the impact of the civil unrest in April 2015. Revenues, however, remained strong largely due to the success of several large-scale events, such as the Beyoncé/Jay Z concert and the Army/Navy game.

MSA is continuing to attract major events to the complex. To date, one major concert and the Army/Navy game are confirmed in fiscal 2016. Events may be limited in fiscal 2016 however, due to the current re-grassing from artificial surface at the football stadium.

2. Statewide Sports Marketing Effort Yields Results

The authority's Office of Sports Marketing was created in 2007 with the goals of attracting and hosting national and international sporting events and developing and promoting a sports tourism industry in the State. This is the first year in which the authority is reporting on sports marketing performance measures through the Managing for Results process. MSA is now reporting: number of events, number of visitors due to sports travel, and direct spending through amateur sports. Because the data is only newly reported, there are no trends to identify. However, for informational purposes, MSA is reporting that in fiscal 2015, there were 230 events held across the State. Further, sporting events drew approximately 250,000 visitors to the State in fiscal 2015 and those visitors generated \$121 million in spending. A sports-related activity is defined as one that generates significant visitor spending in Maryland; or another form of economic activity, such as media exposure or a sports growth opportunity. The office includes such events as amateur sport competitions, conferences, conventions, leagues, and showcases.

The office partners with other agencies and local governments to market, promote sports assets in the State, and to recruit events. Highlights from the office's annual report include the National Collegiate Athletic Association Men's Lacrosse Championship, the Military Bowl, 10K Across the Bay, and the Volvo Ocean Race Stopover. It is not clear, however, the extent to which the office was instrumental in the attraction or retention of these events.

Fiscal 2016 Actions

Proposed Deficiency

The fiscal 2017 allowance includes a fiscal 2016 deficiency of \$270,758 in general funds to supplement the State's share of the annual operating deficit at BCCC. By statute, MSA contributes two-thirds of the center's operating deficit annually. The State's share of the deficit is historically underfunded and deficiencies are often required. However, in this case, the bulk of the deficiency is related to the cost containment effort in fiscal 2016 that required State agencies to forgo 2% of their general fund budgets. There was no corresponding statutory change that relieved MSA of their obligation to the convention center deficit, and therefore no savings could be realized.

It should also be noted that this deficiency will be applied to the fiscal 2016 BCCC operating deficit, which is currently an estimate. The final amount of the deficit will not be known until the close of the fiscal year. It is possible that an additional deficiency will be required in the fiscal 2018 allowance. To illustrate this point, the fiscal 2017 allowance also includes a second MSA deficiency to fully fund the BCCC fiscal 2015 operating deficit. The fiscal 2015 budget for BCCC was underfunded by \$1,132,645 in general funds.

Proposed Budget

MSA activities are supported by a combination of general, special, and nonbudgeted funds. **Exhibit 2** shows that the fiscal 2017 allowance is \$413.5 million, a significant increase of \$270.8 million. The increase is almost exclusively in nonbudgeted funds and relates to the MSA role in the Baltimore City School Revitalization Program. The MSA budget by fund source and by program is shown in **Exhibit 3**.

Exhibit 2
Proposed Budget
Maryland Stadium Authority
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Nonbudgeted Fund	Total
Fiscal 2015 Actual	\$16,836	\$20,000	\$56,530	\$93,366
Fiscal 2016 Working Appropriation	12,446	40,000	90,220	142,666
Fiscal 2017 Allowance	<u>12,530</u>	<u>40,000</u>	<u>360,980</u>	<u>413,510</u>
Fiscal 2016-2017 Amount Change	\$85	\$0	\$270,759	\$270,844
Fiscal 2016-2017 Percent Change	0.7%		300.1%	189.8%
 Where It Goes:				
Convention Centers				
Baltimore City Convention Center operating deficit				\$1,527
Ocean City Convention Center debt service				-1,432
Ocean City Convention Center operating deficit				-10
Stadiums and General Administration				
Camden Yards Complex rehabilitation projects				9,088
Camden Yards Complex facility management				1,669
Maryland Stadium Authority general administration and other costs.....				-41
Baltimore City School Revitalization Program				
Construction and related costs				251,043
Debt service				9,000
Total				\$270,844

Note: Numbers may not sum to total due to rounding.

Exhibit 3
Maryland Stadium Authority Budget Summary by Fund Source
Fiscal 2014-2017
(\$ in Thousands)

	<u>2014</u>	<u>2015</u>	<u>Wrkg. Approp.</u> <u>2016</u>	<u>Allowance</u> <u>2017</u>	<u>Change</u> <u>2016-17</u>
General Funds					
Baltimore City Convention Center – debt service and State operating deficit contribution	\$11,956	\$11,177	\$6,562	\$8,089	\$1,527
Ocean City Convention Center – debt service and State operating deficit contribution	2,728	2,711	2,933	1,491	-1,442
Montgomery County Conference Center – State portion of construction costs	1,558	1,556	1,558	1,558	0
Hippodrome Performing Arts Center – State portion of construction costs	1,389	1,392	1,392	1,392	0
Subtotal	\$17,631	\$16,836	\$12,446	\$12,530	\$85
Special Funds					
Lottery transfer to MSA Facilities Fund for debt service on Camden Yards projects	20,000	20,000	20,000	20,000	0
Lottery transfer to the Baltimore City Public School Construction Financing Fund			20,000	20,000	0
Subtotal	\$20,000	\$20,000	\$40,000	\$40,000	\$0
Nonbudgeted Funds					
Maryland Stadium Authority general administration	3,083	3,526	3,564	3,533	-31
Camden Yards capital programs – construction, debt service, and other debt costs not funded by lottery revenues	15,003	18,464	7,598	16,686	9,088
Facilities management for entire Camden Yards complex	27,495	28,108	30,709	32,378	1,669
Facilities management for Oriole Park improvements per Orioles lease	144		125	125	0
Hippodrome Performing Arts Center – ticket surcharge and other revenues	440	455	440	440	0
Office of Sports Marketing	333	465	391	382	-10
Baltimore City School Construction Administration	1,018	5,513	47,393	298,436	251,043
Subtotal Nonbudgeted Funds	\$47,515	\$56,530	\$90,220	\$360,980	\$270,759
Grand Total	\$85,146	\$93,366	\$142,666	\$413,510	\$270,844

Note: Fiscal 2016 includes deficiency.

Source: Governor's Budget Books, fiscal 2013-2017; Department of Budget and Management

Small Net Increase in General Funds

General funds comprise the smallest component of the MSA budget and are used to supplement debt service and operation costs for various economic development projects undertaken by the State.

- **BCCC:** Section 10-640 of the Economic Development Article requires MSA to contribute two-thirds of the annual operating deficit of BCCC through December 31, 2019. MSA was also responsible for the State’s share of the debt service associated with the convention center expansion that began in 1997. However, the bonds that were issued for the expansion were retired in fiscal 2015.

The fiscal 2017 allowance reflects funds for the operating deficit only. As was mentioned above, the operating deficit has been historically underfunded. There has been a deficiency for this purpose in 10 of the last 12 years. The Department of Legislative Services (DLS) has consistently encouraged the Department of Budget and Management and MSA to adjust the annual appropriations to better reflect the cost of the operating subsidy for the center. The fiscal 2017 allowance demonstrates a sincere attempt to make that adjustment. The allowance for the deficit increases by \$1.8 million to \$8.1 million.

- **OCCC:** MSA is also required under Section 10-643 of the Economic Development Article to contribute one-half of the annual operating deficits of OCCC. The allowance provides \$1.5 million for this purpose. Legislation was enacted during the 2012 session (Chapter 630) that extended the timeframe for which the State is responsible for one-half the deficit. The State will retain this responsibility until fiscal 2036.

The fiscal 2017 allowance marks the first year in which the State is not responsible for the debt service payment related to bonds issued for the OCCC construction. The debt was retired in fiscal 2016. Accordingly, general funds decline by \$1.4 million in fiscal 2017.

- **Hippodrome Performing Arts Center:** The allowance includes \$1.39 million in general funds and \$440,000 in nonbudgeted funds to fund the fiscal 2017 debt service for MSA revenue bonds that were issued to fund a portion of the Hippodrome construction. To offset the MSA obligation to the debt service, statute requires the operator of the facility to pay MSA an amount equal to \$2 per ticket sold for admission to the theater. As part of an agreement struck in 2012 to stabilize the Hippodrome finances, the theater operator has guaranteed the annual surcharge revenue of at least \$440,000.
- **Montgomery County Conference Center:** The fiscal 2017 allowance provides \$1.6 million in general funds for the debt service costs for the authority’s revenue bonds.

Special Funds Unchanged

Lottery proceeds support debt service payments on the Camden Yards Complex. The fiscal 2017 allowance includes \$20.0 million in special funds for this purpose. As has been the case in

recent years, the lottery proceeds do not fully cover the costs of this debt service. MSA expects to pay \$25.1 million in total debt service in fiscal 2017. Of this amount, approximately \$756,000 is for debt service on Camden Station, \$979,000 is for energy projects, and \$994,000 is for equipment lease financing. MSA will contribute nonbudgeted funds for the remaining debt service.

Also included in the fiscal 2007 allowance is an additional \$20 million in lottery proceeds to support MSA activities related to the Baltimore City School Revitalization program. This issue will be discussed further under the Issues section of this analysis.

Maryland Stadium Authority Financing Fund (and other Nonbudgeted Funds)

The MSA Financing Fund is a nonbudgeted account from which all the MSA operational expenses are paid, including the general administration of the Camden Yards Complex, repairs, renovations, and debt service payments. The fund is primarily supported through lottery and bond proceeds but also includes additional revenues associated with rent from the Orioles, operations and maintenance reimbursement from the Ravens, lease agreements at the Warehouse and Camden Station, stadium admission taxes, and MSA project management fees.

As shown in Exhibit 2, total nonbudgeted funds increase by \$270.8 million in the fiscal 2017 allowance. This increase is almost exclusively related to the Baltimore City School Revitalization program and specifically, the proceeds of the initial bond sale and the start of construction in earnest. The details will be discussed under the Issues section of this analysis.

A smaller component of the increase in nonbudgeted funds relates to an increase in rehabilitation projects at the Camden Yards Complex. In 2009, MSA developed a capital improvement plan to address the fact that Oriole Park at Camden Yards and the B&O Warehouse had been in use for over 15 years. Over the next several years, MSA issued taxable debt to finance projects that included concrete restoration, seat renovation, waterproofing, roof replacement, electrical repairs, and some structural steel painting. In fiscal 2017, MSA expects to continue the capital improvements. Expected renovations include the replacement of elevators in the Warehouse, upgrades to the heating and ventilation systems, and upgrades to the central control system at the stadium. Accordingly, nonbudgeted funds increase by about \$9 million for this purpose. Future planned improvements include steel painting and lighting upgrades in the stadium, and redevelopment of the pedestrian spine between the stadiums.

MSA is required to pay rent to the State equal to the difference between its actual revenues and budgeted resources. The rent formula is built into the sublease agreements for M&T Bank Stadium, Oriole Park, Camden Station, the Warehouse, BCCC, and OCCC. The convention centers have always operated at a deficit, so no rent is due on those subleases. Therefore, activity at the Camden Yards Complex generates the rent payment, if any. Based on estimated revenues and expenditures, no rent payment is expected in the current fiscal year.

Conversely, a rent payment of \$1 million was provided at the close of fiscal 2015. This is largely due to the increase in revenues associated with increased attendance from baseball playoff

D28A03 – Maryland Stadium Authority

games. This increase was mitigated however, by the loss of revenues from canceled baseball games related to the civil unrest in Baltimore in April 2015. MSA had estimated this loss at approximately \$486,000 in lost ticket sales, admission tax, concession, and other revenue. A complete cash flow statement of the financing fund is provided in **Appendix 2** of this analysis.

Issues

1. Progress Made under Baltimore City School Revitalization Program

The Baltimore City Public Schools (BCPS) system has the oldest school buildings in the State, with an average age of 41 years old. In addition, a declining enrollment has left an excess capacity in the system, where many schools are underutilized and deteriorated. A 2012 assessment of the condition of BCPS school facilities by a consultant hired by the Baltimore City Board of School Commissioners (BCBSC) estimated a cost of \$2.4 billion to address the educational adequacy, condition, and life-cycle needs of the facilities.

The resulting 10-year plan adopted by the Baltimore City board is referred to as the 21st Century Buildings Plan. In response to the plan for public school facility improvements in Baltimore City, Chapter 647 of 2013 (Baltimore City Public Schools Construction and Revitalization Act) established a new partnership among the State, Baltimore City, and BCPS to fund up to \$1.1 billion in public school facility improvements through revenue bonds to be issued by MSA.

Under the program, MSA is managing new construction and renovation projects, and BCPS is responsible for some of the renovation projects. The law requires the four parties – MSA, the Interagency Committee on School Construction (IAC), Baltimore City, and BCPS – to enter into a Memorandum of Understanding (MOU) to set out the roles and responsibilities of each party to implement the construction plan. The MOU was approved by the governing bodies of each party and was approved by the Board of Public Works (BPW) on October 16, 2013. In general, MSA will be responsible for the oversight of new and renovation projects; providing the financing; and managing the construction, contracts, and budgets related to the program. The role of the city schools, as outlined in the MOU, is to manage some of the renovation projects, control the feasibility studies and preliminary design, and update the Comprehensive Maintenance Plan annually. IAC is responsible for approving the maintenance plans; school utilization rates; and more broadly, all 10-year plan projects.

Revitalization Plan

Under the original 21st Century Buildings Plan, it was estimated that improvements could be made to 50 schools with the \$1.1 billion initiative, including the construction of approximately 16 new schools and the remainder renovations. That estimate has since been revised downward with a total of 23 to 28 schools to be replaced or renovated. The lower estimate reflects more realistic cost estimates for the projects based on feasibility studies and revised estimates of projected bond proceeds.

According to BCPS and MSA, despite some delays, the program remains on schedule to be completed by fiscal 2020. A total of 11 schools have been identified as the first phase, or Year 1 schools; 10 of those schools have received IAC approval. The projects for the first 2 schools are scheduled for completion by summer 2017 (Fort Worthington PreK-8 and Frederick Elementary). Two more schools are anticipated for completion by January 2018, with the balance of Year 1 schools to be completed by summer 2018 (excepting Patterson High School, with a completion date of 2019).

Exhibit 4 shows the schools that are scheduled for replacement, renovation, or renovation plus additions in Phase 1.

**Exhibit 4
Year 1 Schools**

<u>School</u>	<u>Project Type</u>	<u>Costs Funded with Series 2015</u>	<u>Costs Funded with Series 2016</u>	<u>Total</u>
Arlington PreK-5	Renovation, Addition	\$27,541,865	\$13,718,777	\$41,260,642
Arundel PreK-8	Replacement	30,277,638	13,975,879	44,253,517
Cherry Hill	Renovation, Addition	33,030,231	15,251,608	48,281,839
Forest Park	Renovation	36,821,205	33,301,693	70,122,898
Fort Worthington PreK-8	Replacement	36,429,137	943,180	37,372,317
Frederick Elementary	Renovation, Addition	26,529,048	685,049	27,214,097
John Eager Howard Elementary	Renovation, Addition	31,614,334	1,925,645	33,539,979
Lyndhurst PreK-8	Renovation, Addition	37,448,395	2,489,969	39,938,364
Pimlico PreK-8	Renovation, Addition	32,975,311	12,304,076	45,279,387
Robert Poole Building	Renovation, Addition	49,346,851	3,428,912	52,775,763
Patterson High School	Renovation, Addition	15,000,000*		15,000,000
Total		\$357,014,015	\$98,024,788	\$455,038,803

* Early estimate.

Source: Maryland Stadium Authority

With the exception of the Patterson High School project, each Year 1 project is assigned an architectural/engineering firm and a construction manager. Additionally, each project (except Patterson High School) has completed some or all design phases. In December 2015, BPW approved contracts for construction for Fort Worthington PreK-8 and Frederick Elementary. The plans for

Patterson High School have been altered in scope and, as such, remain under program review. However, the project is still expected to be included under the Year 1 project timeline.

Financing Plan

Chapter 647 established the means by which the revitalization program would be financed by enabling MSA to issue up to \$1.16 billion in debt with a debt service cap of \$60 million annually. There are two nonbudgeted funds, administered by MSA, to finance improvements to BCPS facilities: the BCPS Construction Financing Fund and the BCPS Construction Facilities Fund.

The **financing fund** will be used to pay debt service on bonds issued by MSA to construct and improve BCPS facilities and all reasonable charges and expenses related to the issuance of bonds. The revenue sources for the fund include:

- all revenues generated by the Baltimore City beverage container tax;
- all of the city's proceeds from table games at the video lottery facility located in Baltimore City that are dedicated to school construction and 10% of the participation rent paid by the video lottery facility operator to Baltimore City;
- \$10 million in State education aid due to BCBSC from recurring retiree health care costs shifted from Baltimore City to BCBSC (beginning in fiscal 2017);
- \$20 million in annual proceeds from the State lottery (beginning in fiscal 2016);
- \$10 million diverted from State education aid to BCBSC in fiscal 2016 and \$20 million in each fiscal year thereafter (beginning in fiscal 2017);
- proceeds from the sale of bonds to finance improvements to BCPS facilities; and
- any other funds or revenues received from or dedicated by any public source to support the initiative.

Any funds not needed for debt service and related costs may be transferred to the authority's school construction **facilities fund**, which will primarily be used to pay design and construction costs relating to BCPS facilities; any start-up costs, administration, overhead, and operations related to management of improvements to BCPS facilities; and all reasonable charges and expenses related to the MSA oversight and project management responsibilities.

Exhibit 5 shows the actual and planned MSA expenditures under the school construction program for fiscal 2015 through 2017. Expenditures increase in fiscal 2016 and then move significantly in fiscal 2017 due to the onset of construction. Based on the timing of the first bond issuance, only a partial debt service payment of \$11 million is expected in fiscal 2016.

Exhibit 5
Baltimore City School Revitalization Program
Fiscal 2015-2017
(\$ in Thousands)

	<u>Actual 2015</u>	<u>Working 2016</u>	<u>Estimate 2017</u>
Beginning Cash Funds	\$16,983	\$31,850	\$371,457
Funding Sources			
Bond/Lottery Proceeds			
Bond Proceeds	\$0	\$370,000	\$250,000
Unspent Bond Proceeds	0	0	0
Lottery Proceeds	0	20,000	20,000
<i>Subtotal</i>	<i>\$0</i>	<i>\$390,000</i>	<i>\$270,000</i>
Other Revenue			
Baltimore City	\$20,380	\$8,000	\$20,000
Baltimore City Public Schools	0		20,000
<i>Subtotal</i>	<i>\$20,380</i>	<i>\$8,000</i>	<i>\$40,000</i>
Total Revenues	\$20,380	\$398,000	\$310,000
Total Funds Available	\$37,363	\$429,850	\$681,457
Disbursements			
Operating Expenses			
General Overhead	\$1,557	\$2,233	\$2,134
Bond Financing	0	1,500	1,500
Baltimore City Public Schools Reimbursement	0	1,500	1,500
Program Manager	1,098	1,600	2,200
Architects/Construction	2,858	38,207	290,428
Feasibility Studies	0	2,353	600
<i>Subtotal</i>	<i>\$5,513</i>	<i>\$47,393</i>	<i>\$298,362</i>
Debt Service and Financing Costs			
Series 2015 Bonds	\$0	\$11,000	\$29,000
<i>Subtotal</i>	<i>\$0</i>	<i>\$11,000</i>	<i>\$29,000</i>
Total Uses	\$5,513	\$58,393	\$327,362
Net Funding Available	\$14,867	\$339,607	-\$17,362
Ending Balance	\$31,850	\$371,457	\$354,095

Source: Maryland Stadium Authority

The financing for Year 1 projects will span fiscal 2016 and 2017 in amounts that reflect the cash flow needs. Specifically, MSA plans to issue approximately \$320.3 million of bonds in February 2016; with an expected bond premium of \$50.0 million; for total cash available of \$370.0 million. A second issuance would occur in fiscal 2017 for the remainder of Year 1 costs and in anticipation of Year 2 projects. However, costs are not yet determined for Year 2 projects.

The estimated annual debt service payment is approximately \$20.8 million. This represents the debt service payments for the Year 1 projects only. The fiscal 2017 allowance shows \$29.0 million, which reflects a partial payment for a second round of financing. It should be noted that the three bond rating agencies have graded the MSA fiscal 2016 issuance in favorable terms (AA, AA-, Aa3).

DLS recommends that MSA briefly update the budget committees on the progress of the Baltimore City School Revitalization program; specifically on the status of the financing and the impact on MSA operations.

2. MSA to Assist State Housing Agency with Project C.O.R.E.

In a January 5, 2016 press release, the Administration announced the Project C.O.R.E initiative to address housing blight in Baltimore City. Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise) is a city/State partnership designed to demolish thousands of vacant buildings in Baltimore City and replace them with green space. The Department of Housing and Community Development (DHCD) will partner with the City of Baltimore and MSA over a four-year period.

MSA has been enlisted by DHCD to serve as project manager for the new program and will oversee the demolition of vacant structures that have been identified by DHCD and Baltimore City. MSA has notified the budget committees of DHCD's request, as required by statute. The budget committees have 30 days to review and comment on any MSA project proposed by a State agency or local government. The notification letter states that "the State will invest up to \$75 million in demolition services required to remove or stabilize existing abandoned, derelict, and dilapidated buildings throughout the City of Baltimore that are deemed unsafe and contributing to blight."

According to a preliminary analysis by DLS, of the \$713.7 million in total financing announced by the Administration, it appears that \$75.2 million is money either not previously budgeted or included in the *Capital Improvement Program*. The remaining \$638.5 of Project C.O.R.E. financing is either already planned funding or previously anticipated tax credits or revenue bonds. The new funding (\$75.2 million) is not currently included in the fiscal 2017 allowance. It has been suggested that it may appear in a supplemental budget.

It is therefore unclear (1) what funds will be available for MSA to use for demolition services or (2) how MSA will be compensated for its services. The letter to the budget committees states that DHCD is committed to fully funding the MSA involvement including the cost to engage contractors and consultants as well as MSA staff and administration costs. However, to date, it is not clear what these costs would be or how DHCD will fund them.

D28A03 – Maryland Stadium Authority

It is also uncertain, given the ambitious timeframe of Project C.O.R.E (four years), how MSA will handle the increased responsibility. At the time of this analysis, there was no public MOU between the agencies and no clear understanding of the scope of services required of MSA. MSA has recently significantly expanded its capacity in order to manage the Baltimore City School program. However, it remains to be seen if it has the capacity to manage an additional large-scale project.

A more thorough analysis of Project C.O.R.E. will be included in the fiscal 2017 DHCD analysis.

DLS recommends that MSA brief the budget committees on its role in Project C.O.R.E. and how it expects to manage the project given its current resources.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Project Updates

Statute authorizes MSA to assist State agencies and local governments in managing construction projects. The budget committees must be notified, and funding must be provided entirely by the agency or local government requesting assistance unless funding is specifically provided in the budget for the project. The statute also authorizes MSA to conduct feasibility studies. Feasibility studies are often the first step in the process of evaluating the costs, financing options, economic impact, and market conditions of potential infrastructure projects. In many instances, the projects entail State and local cooperation to finance and implement and offer opportunities for private-sector contribution through public-private partnerships. The budget committees must give approval for the studies, and costs must total to no more than \$500,000 annually of the MSA nonbudgeted funds.

Current Projects (Other than Baltimore City Schools)

- **Montgomery County Conference Center Garage:** MSA participated in the original design and construction of the Montgomery County Conference Center in 2004. In March 2014, MSA and Montgomery County agreed to a MOU for the management of the design and construction of a parking garage associated with the conference center. MSA will serve as the project manager and the county will provide the financing, estimated at \$21 million.

Recently Released Studies

- **Maryland Horse Park Study:** In August 2015, MSA released its study on a potential Maryland Horse Park that, in part, examined existing horse industry assets. The study was funded by the Maryland Horse Industry Board and the Department of Commerce. The findings and recommendations included in the study report focus on conceptual site/program enhancements at horse-related venues that could positively impact future equine activity held in Maryland. The recommended improvements are intended to provide an initial conceptual plan and to jump start discussions on future improvements to these two key Maryland equine competition venues only as part of ongoing strategic planning efforts associated with a Statewide Horse Park System.
- **Waldorf Multipurpose Center:** In May 2014, Charles County requested that MSA perform a market and economic study for a proposed multipurpose civic center in downtown Waldorf. The study examined market demand, venue size, programming, and economic impact. Market research conducted for this analysis suggests that constructing a facility with certain building program elements and patron amenities would enhance Waldorf's marketability for attracting a diverse set of events.

Ongoing Studies

- **Collington Stream Valley Park Lacrosse Complex:** In May 2015, the Maryland National Capital Park and Planning Commission (M-NCPPC) asked MSA to conduct a feasibility study for a new lacrosse sports complex on county-owned land at the Collington Stream Valley Park in Prince George’s County. The cost of the study is fully borne by M-NCPPC.
- **Ocean City Convention Center Expansion:** In May 2015, the City Manager of the Town of Ocean City requested that MSA conduct a market and economic study on the expansion of the exhibit hall and support space within the OCCC. This request represents the third study on the expansion of the center over the last 20 years. This particular study will examine the feasibility of expanding the exhibit hall and support spaces as well as an examination of the parking needs. The city and MSA will share the cost of the \$70,000 study equally.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Stadium Authority (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$14,746	\$20,000	\$0	\$0	\$34,746
Deficiency Appropriation	2,386	0	0	0	2,386
Cost Containment	-295	0	0	0	-295
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-1	0	0	0	-1
Actual Expenditures	\$16,836	\$20,000	\$0	\$0	\$36,836
Fiscal 2016					
Legislative Appropriation	\$12,175	\$40,000	\$0	\$0	\$52,175
Budget Amendments	0	0	0	0	0
Working Appropriation	\$12,175	\$40,000	\$0	\$0	\$52,175

Note: The fiscal 2015 and fiscal 2016 data excludes nonbudgeted funds. The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The original fiscal 2015 appropriation for MSA was increased by a general fund deficiency appropriation that supplemented the State share of the operating deficit of BCCC. This increase was offset by the cost containment initiative that reduced MSA general funds by \$294,920.

**Maryland Stadium Authority Financing Fund
For Camden Yards Complex Activities
Fiscal 2014-2017 Est.
(\$ in Thousands)**

	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Est. 2016</u>	<u>Est. 2017</u>
Beginning Balance	\$14,700	\$15,466	\$14,958	\$9,339
Bond Proceeds	\$8,635	\$9,585	\$0	\$10,000
Master Equip. Lease Financing for Audio/Visual Equip.	0	0	0	0
Master Energy Program	0	0	0	0
Lottery Proceeds	20,000	20,000	20,000	20,000
<i>Subtotal Lottery/Bond</i>	<i>\$28,635</i>	<i>\$29,585</i>	<i>\$20,000</i>	<i>\$30,000</i>
Other Revenues				
Misc. Income	\$2,279	\$1,635	\$1,650	\$1,350
Catering Events	543	523	500	500
Memorial Stadium Land Sale	0	0	0	0
Admission Tax	11,568	14,007	11,250	11,250
Baseball Rent	7,205	8,572	7,250	7,250
Baseball Suite Amortization	756	703	643	600
Football Operations	9,685	8,963	10,359	10,670
Warehouse Lease	4,412	4,421	3,500	4,000
Construction Management Fee	262	178	100	50
Baltimore City	1,000	1,000	1,000	1,000
<i>Subtotal Other Revenues</i>	<i>\$37,710</i>	<i>\$40,002</i>	<i>\$36,252</i>	<i>\$36,670</i>
Total Funds Available	\$81,045	\$85,053	\$71,210	\$76,009
Uses				
MSA Administration	\$3,748	\$4,182	\$4,297	\$4,210
Camden Yards Operations	27,600	27,707	29,809	31,267
<i>Subtotal MSA/Camden Operating</i>	<i>\$31,348</i>	<i>\$31,889</i>	<i>\$34,106</i>	<i>\$35,477</i>
Capital Improvement Funds for Oriole Park*	\$400	\$400	\$400	\$400
Audio/Visual Equipment	0	0	0	0
Energy Projects	0	0	0	0

D28A03 – Maryland Stadium Authority

	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Est. 2016</u>	<u>Est. 2017</u>
Baseball Suite Renovate	0	0	500	500
Baseball Stadium Capital Projects	0	3,197	1,803	10,000
Other (Ocean City Expansion)	676	0	0	0
Pit Lane Improvements	0	0	0	0
<i>Subtotal MSA/Camden Operating and Capital</i>	<i>\$32,424</i>	<i>\$35,486</i>	<i>\$36,809</i>	<i>\$46,377</i>
Debt Service and Financing	\$33,155	\$33,609	\$25,062	\$25,072
School Construction	0	0	0	0
State Rent Payment	0	1,000	0	0
Total Uses	\$65,579	\$70,095	\$61,871	\$71,449
Ending Balance	\$15,466	\$14,958	\$9,339	\$4,560

* These are revenues deposited into the account and originate from the parity settlement intended to equalize State support provided to the Ravens and Orioles teams. The figures do not include interest or funds from the Hippodrome ticket surcharge.

Source: Maryland Stadium Authority

**Object/Fund Difference Report
Maryland Stadium Authority**

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	107.00	109.00	109.00	0.00	0%
02 Contractual	14.50	15.00	15.00	0.00	0%
Total Positions	121.50	124.00	124.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 9,116,026	\$ 10,722,959	\$ 10,892,328	\$ 169,369	1.6%
02 Technical and Spec. Fees	450,890	583,861	582,823	-1,038	-0.2%
03 Communication	-18,474	55,205	67,436	12,231	22.2%
04 Travel	75,560	137,654	97,237	-40,417	-29.4%
06 Fuel and Utilities	5,220,968	5,071,373	6,309,909	1,238,536	24.4%
07 Motor Vehicles	34,102	150,959	54,320	-96,639	-64.0%
08 Contractual Services	24,333,746	65,527,228	326,098,247	260,571,019	397.7%
09 Supplies and Materials	1,280,063	895,749	971,000	75,251	8.4%
10 Equipment – Replacement	0	500,000	500,000	0	0%
11 Equipment – Additional	112,861	119,960	130,000	10,040	8.4%
12 Grants, Subsidies, and Contributions	27,842,138	28,072,830	29,869,882	1,797,052	6.4%
13 Fixed Charges	24,918,175	30,557,597	37,936,923	7,379,326	24.1%
Total Objects	\$ 93,366,055	\$ 142,395,375	\$ 413,510,105	\$ 271,114,730	190.4%
Funds					
01 General Fund	\$ 16,836,202	\$ 12,175,000	\$ 12,530,365	\$ 355,365	2.9%
03 Special Fund	20,000,000	40,000,000	40,000,000	0	0%
07 Nonbudgeted Fund	56,529,853	90,220,375	360,979,740	270,759,365	300.1%
Total Funds	\$ 93,366,055	\$ 142,395,375	\$ 413,510,105	\$ 271,114,730	190.4%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Fiscal Summary
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 0	0%
41 General Administration	3,525,651	3,563,721	5,678,503	2,114,782	59.3%
42 Capital Programs – Baseball/Football Pre-construction	18,463,844	7,597,786	16,686,207	9,088,421	119.6%
44 Facilities Management	28,107,600	30,709,283	30,762,576	53,293	0.2%
48 Facilities Management	0	125,000	125,000	0	0%
55 Baltimore Convention Center	11,177,398	6,291,371	8,088,552	1,797,181	28.6%
58 Ocean City Convention Center	2,710,845	2,932,959	1,491,330	-1,441,629	-49.2%
59 Montgomery County Conference Center	1,556,000	1,558,250	1,558,000	-250	0%
60 Hippodrome Performing Arts Center	1,846,799	1,832,420	1,832,483	63	0%
63 Office of Sports Marketing	465,133	391,334	311,651	-79,683	-20.4%
66 School Debt Service	0	20,000,000	29,000,000	9,000,000	45.0%
67 Baltimore City School Construction	5,512,785	47,393,251	297,975,803	250,582,552	528.7%
Total Expenditures	\$ 93,366,055	\$ 142,395,375	\$ 413,510,105	\$ 271,114,730	190.4%
General Fund	\$ 16,836,202	\$ 12,175,000	\$ 12,530,365	\$ 355,365	2.9%
Special Fund	20,000,000	40,000,000	40,000,000	0	0%
Nonbudgeted Fund	56,529,853	90,220,375	360,979,740	270,759,365	300.1%
Total Appropriations	\$ 93,366,055	\$ 142,395,375	\$ 413,510,105	\$ 271,114,730	190.4%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.