

D28A03
Maryland Stadium Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$11,815	\$11,219	\$11,219	-\$1	
Adjustments	0	0	0	0	
Adjusted General Fund	\$11,815	\$11,219	\$11,219	-\$1	0.0%
Special Fund	40,000	40,000	40,000	0	
Adjustments	0	0	0	0	
Adjusted Special Fund	\$40,000	\$40,000	\$40,000	\$0	0.0%
Nonbudgeted Fund	67,104	358,154	281,642	-76,512	-21.4%
Adjustments	0	0	0	0	
Adjusted Nonbudgeted Fund	\$67,104	\$358,154	\$281,642	-\$76,512	-21.4%
Reimbursable Fund	0	0	8,224	8,224	
Adjustments	0	0	0	0	
Adjusted Reimbursable Fund	\$0	\$0	\$8,224	\$8,224	
Adjusted Grand Total	\$118,919	\$409,373	\$341,085	-\$68,288	-16.7%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The Maryland Stadium Authority's (MSA) fiscal 2018 budget declines significantly (\$68.3 million) from the fiscal 2017 working appropriation. This is almost exclusively related to the authority's role in the Baltimore City School Revitalization Program and the timing of school construction and related bond issuances.
- Nonbudgeted funds decrease by \$76.4 million in fiscal 2018. While the majority of this decline is related to the school construction program, about \$10.2 million of the decline is due to capital improvements to the Camden Yards Complex expected to be completed in fiscal 2017.

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

For further information contact: Jody J. Sprinkle

Phone: (410) 946-5530

D28A03 – Maryland Stadium Authority

- Reimbursable funds are included in the fiscal 2018 allowance and are related to the State’s Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise) Program and a new grant program for youth and amateur sports. Both programs are discussed further in this analysis.

Personnel Data

	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 17-18</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	108.87	111.85	111.85	0.00
Contractual FTEs	<u>16.00</u>	<u>18.50</u>	<u>18.50</u>	<u>0.00</u>
Total Personnel	124.87	130.35	130.35	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/16	17.00	15.20%

- MSA reports 111.85 full-time equivalents (FTE) and 18.5 contractual FTEs in fiscal 2018. Of the regular positions, 14.0 FTEs are dedicated to the Baltimore City School Revitalization Program and 5.6 FTEs are dedicated to Project C.O.R.E. Personnel expenses are budgeted through the nonbudgeted resources of MSA and, beginning in fiscal 2018, through reimbursable funds.
- MSA is currently reporting 17.0 vacancies; however, it also reports that 9.0 of these vacant positions will be filled within the first few months of calendar 2017 to work on the authority’s various capital projects.

Analysis in Brief

Major Trends

Revenue from Events Surge in Fiscal 2016: 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 2016, the number of events declined at the complex. However, due to several high profile events, revenues increased significantly.

Increase in Statewide Sporting Events: The Maryland Sports office was created to attract and market national and international sporting events and to develop and promote a sports tourism industry in the State. The office reports that it has been successful in the short term in attracting or marketing an increasing number of events. For example, between fiscal 2015 and 2016, sporting events in the State increased by 38%.

Issues

Baltimore City School Revitalization Program – Construction Substantially Underway: 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. As the project manager, MSA is currently responsible for oversight of new and renovation projects; providing the financing; and managing the construction, contracts, and budgets related to the program. The first phase of the project is largely underway in fiscal 2017, and MSA provided one bond issuance of \$320 million on April 20, 2016, resulting in \$385 million available for construction. Planning for the second phase of projects has begun, and significant progress is expected in fiscal 2018. **The Department of Legislative Services (DLS) recommends that MSA update the subcommittees on the progress of the Baltimore City School Revitalization Program. Further, MSA should comment on the program’s financing and on any implications of transferring a portion of the State’s fiscal 2016 funds to the General Fund or to relieve the city school system of its fiscal 2018 financial obligation. DLS further recommends that the subcommittee consider a Budget Reconciliation and Financing Act provision that allows the excess fiscal 2016 fund balance to be used for other more immediate needs.**

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 have been recently completed or are still ongoing, such as the construction of the Montgomery County Conference Center garage and the Pimlico Race Course assessment 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 Orioles baseball stadiums were constructed, MSA's 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, MSA's responsibilities were expanded to include the financing and construction management of a new program of school construction and renovation in Baltimore City.

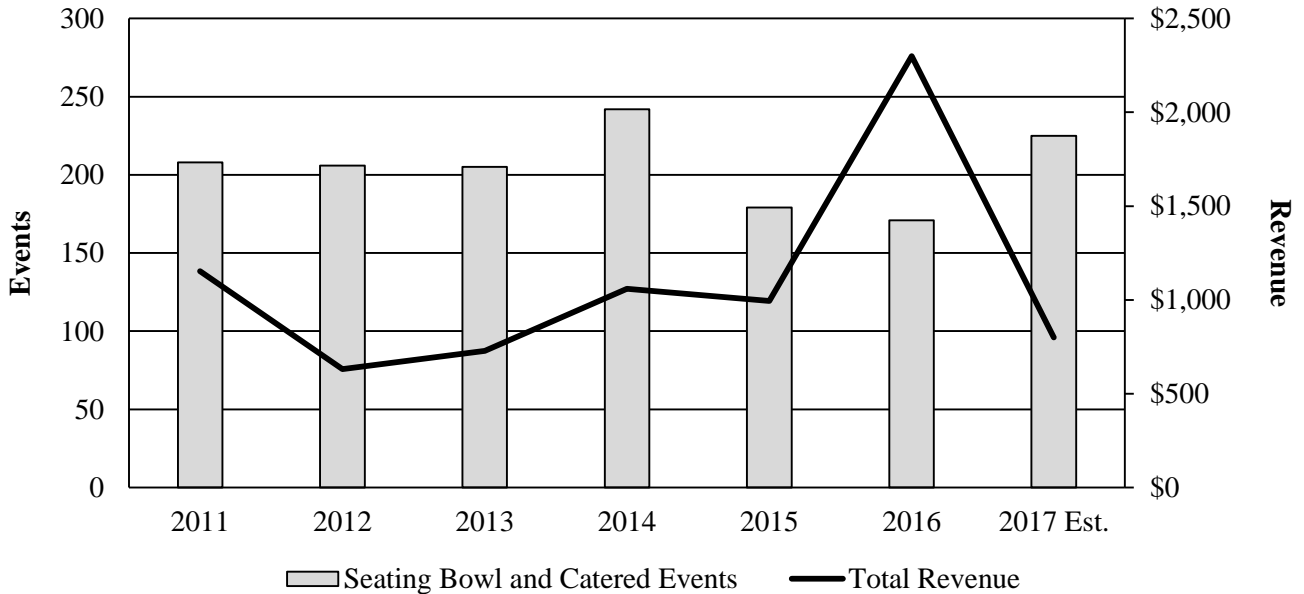
MSA may, in fact, manage any type of construction project for local governments and State agencies. The contracting agency must show that it can fund the project, and the budget committees must have 30 days to review and comment on the proposed work. Furthermore, the statute authorizes MSA to use up 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. Revenue from Events Surge in Fiscal 2016

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 each year. **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 2011-2017 Est.
(\$ in Thousands)



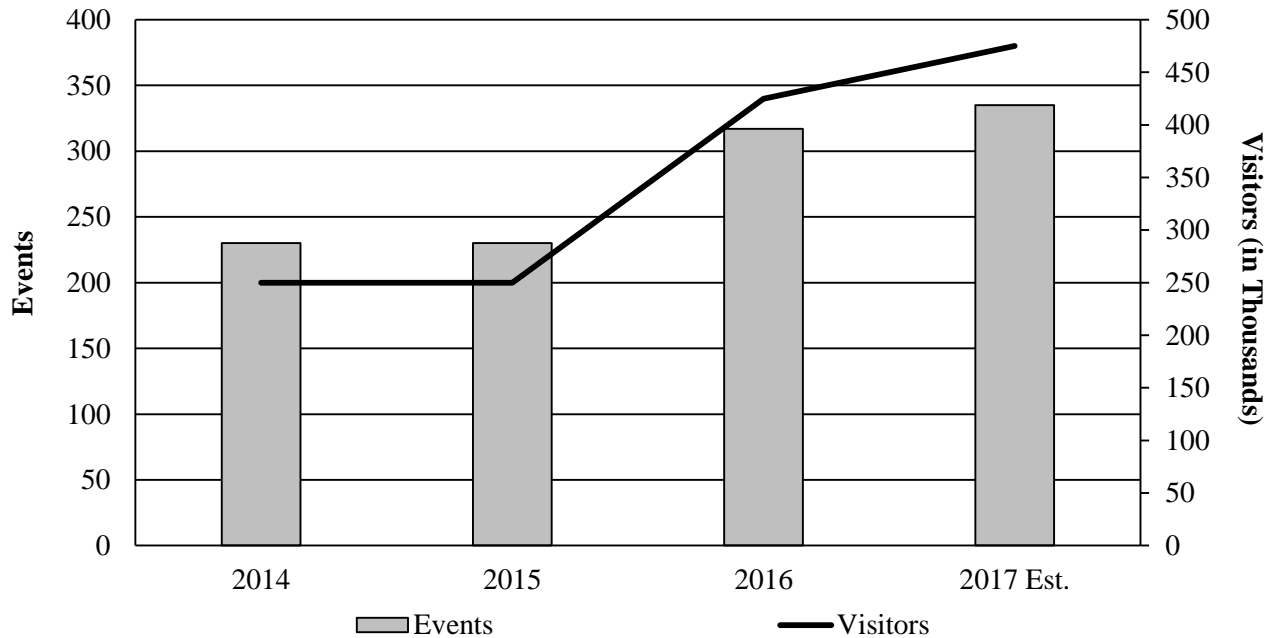
Source: Maryland Stadium Authority

In fiscal 2016, the number of events declined. This follows another year of declining events. The authority reports that catered events such as proms, receptions, and other similar events are not attracted to the facilities as in prior years. However, the authority has had greater success in attracting large scale seating bowl events. For example, the complex hosted a Beyoncé concert, a Billy Joel concert, and the Army/Navy game in fiscal 2016. Because of the high profile nature of these events, the authority generated a record high \$2.3 million in event revenue in fiscal 2016. Fiscal 2017 revenues are expected to return to a more typical level.

2. Increase in Statewide Sporting Events

The Authority’s Office of Sports Marketing was created in 2007 with the goal of attracting and hosting national and international sporting events. Rebranded as Maryland Sports in 2015, the office develops and promotes sports tourism in the State. The office began tracking performance data in fiscal 2014. **Exhibit 2** shows the number of sporting events held in the State and related visitors. Sporting events include competitions, activities, or hosting opportunities where there is a significant amount of out-of-state travelers or large media presence. This excludes regular professional league events (such as Baltimore Ravens games) and regular season collegiate events. The office must have had a role in the attraction or marketing of the event.

**Exhibit 2
Maryland Sports Events and Visitors
Fiscal 2014-2017 Est.**



Source: Maryland Stadium Authority

The data shows that the office has been successful in the short term in attracting or marketing an increasing number of events. For example, between fiscal 2015 and 2016, sporting events in the State increased by 38%. It should be noted that the office tracks other data, such as social media posts and website visits, although this data is not reported through the Managing for Results process. Further, the office’s annual report highlights economic data from events such as the Military Bowl, the White Marlin Open, the JFK 50 Mile, and the CONCACAF Gold Cup Quarterfinals (soccer).

Fiscal 2017 Actions

Cost Containment

MSA’s fiscal 2017 appropriation was reduced by \$1,311,000 in general funds in fiscal 2017 at the November 2016 Board of Public Works hearing. These funds were dedicated to the State’s share of the operating deficit at BCCC. The city has made a concerted effort to reduce costs at the center, thereby lowering the operating deficit. However, it is likely that a significant portion of the cost savings are related to delayed purchases and maintenance and may result in higher costs in the out-years.

Proposed Budget

MSA’s activities are supported by a combination of general, special, nonbudgeted, and most recently, reimbursable funds. **Exhibit 3** shows that the fiscal 2018 allowance is \$341.1 million, a decrease of \$68.3 million from the 2017 working appropriation. The decrease is almost exclusively related to MSA’s role in the Baltimore City School Revitalization Program and reflects the timing of school construction projects. The MSA budget by fund source and by program is shown in **Exhibit 4**.

Exhibit 3
Proposed Budget
Maryland Stadium Authority
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Nonbudgeted Fund	Reimb. Fund	Total
Fiscal 2016 Actual	\$11,815	\$40,000	\$67,104	\$0	\$118,919
Fiscal 2017 Working Appropriation	11,219	40,000	358,154	0	409,373
Fiscal 2018 Allowance	<u>11,219</u>	<u>40,000</u>	<u>281,642</u>	<u>8,224</u>	<u>341,085</u>
Fiscal 2017-2018 Amount Change	-\$1	\$0	-\$76,512	\$8,224	-\$68,288
Fiscal 2017-2018 Percent Change			-21.4%		-16.7%
 Where It Goes:					
Convention Centers					
Ocean City Convention Center operating deficit					\$86
Baltimore City Convention Center operating deficit.....					-85
Stadiums and General Administration					
Camden Yards Complex facility management.....					1,376
Maryland Stadium Authority general administration and other costs.....					1,355
Camden Yards Complex rehabilitation projects.....					-10,191
Baltimore City School Revitalization Program					
Construction and related costs.....					-68,845
Other Activities					
Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise).....					7,874
Youth and Amateur Sports Program					350
Other.....					-208
Total					-\$68,288

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

Exhibit 4
Maryland Stadium Authority Budget Summary by Fund Source
Fiscal 2015-2018
(\$ in Thousands)

	<u>2015</u>	<u>2016</u>	<u>Working Appropriation 2017</u>	<u>Allowance 2018</u>	<u>Change 2017-18</u>
General Funds					
Baltimore City Convention Center – debt service and State operating deficit contribution	\$11,177	\$5,931	\$6,778	\$6,693	-\$85
Ocean City Convention Center – debt service and State operating deficit contribution	2,711	2,933	1,491	1,577	86
Montgomery County Conference Center – State portion of construction costs	1,556	1,558	1,558	1,555	-3
Hippodrome Performing Arts Center – State portion of construction costs	1,392	1,392	1,392	1,394	1
Subtotal	\$16,836	\$11,815	\$11,219	\$11,219	-\$1
Special Funds					
Lottery transfer to Maryland Stadium Authority 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	0	20,000	20,000	20,000	0
Subtotal	\$20,000	\$40,000	\$40,000	\$40,000	\$0
Nonbudgeted Funds					
Maryland Stadium Authority general administration	\$3,526	\$3,294	\$2,731	\$4,086	\$1,355
Camden Yards capital programs – construction, debt service, and other debt costs not funded by lottery revenues	18,464	5,401	16,686	6,496	-10,191
Facilities management for entire Camden Yards Complex	28,108	28,018	30,359	31,735	1,376
Facilities management for Oriole Park improvements per Orioles lease	0	125	125	125	0
Hippodrome Performing Arts Center – ticket surcharge and other revenues	455	440	440	440	0

D28A03 – Maryland Stadium Authority

	<u>2015</u>	<u>2016</u>	Working Appropriation <u>2017</u>	Allowance <u>2018</u>	Change <u>2017-18</u>
Office of Sports Marketing/Maryland Sports	465	408	319	513	194
Baltimore City School Construction Administration	5,513	29,418	307,092	238,247	-68,845
Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise)	0	0	401	0	0
<i>Subtotal Nonbudgeted Funds</i>	<i>\$56,530</i>	<i>\$67,104</i>	<i>\$358,154</i>	<i>\$281,642</i>	<i>-\$76,512</i>
 Reimbursable Funds					
Project C.O.R.E.	\$0	\$0	\$0	\$7,874	\$7,874
Youth and Amateur Sports Program	0	0	0	350	350
<i>Subtotal Reimbursable Funds</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$8,224</i>	<i>\$8,224</i>
 Grand Total	 \$93,366	 \$118,919	 \$409,373	 \$341,085	 -\$68,288

Note: Fiscal 2016 data shown in this exhibit does not match budget books due to a discrepancy in how the authority reported nonbudgeted and reimbursable funds.

Source: Governor’s Budget Books, Fiscal 2015-2018

Small Net Decrease in General Funds

General funds comprise a small portion of MSA’s 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 2018 allowance only reflects funds for the operating deficit (\$6.5 million) and a \$200,000 capital improvement fund.
- **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 \$1.6 million for this purpose, a small increase of \$86,000. 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.

D28A03 – Maryland Stadium Authority

The fiscal 2018 allowance marks the second 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.

- ***Hippodrome Performing Arts Center:*** The allowance includes \$1.39 million in general funds and \$440,000 in nonbudgeted funds to fund the fiscal 2018 debt service for MSA revenue bonds that were issued to fund a portion of the Hippodrome construction. To offset MSA’s obligation for 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 2018 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 2018 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 \$26.1 million in total debt service in fiscal 2018. Of this amount, approximately \$756,000 is for debt service on Camden Station, \$979,000 is for energy projects, and \$2.0 million is for equipment lease financing. MSA will contribute nonbudgeted funds for the remaining debt service.

Also included in the fiscal 2018 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 3, total nonbudgeted funds decrease by \$76.5 million in the fiscal 2018 allowance. This change is almost exclusively related to the Baltimore City School Revitalization Program and specifically, the timing of school construction and bond issuances.

A smaller component of the decrease in nonbudgeted funds relates to a decline in expected 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, some structural steel painting, and other renovations. In fiscal 2017, MSA expects to conclude many of the capital improvements. Renovations include the replacement of elevators in the Warehouse, upgrades to the heating and ventilation systems, and upgrades to the warehouse lobby. Also, MSA is replacing the field lights within Camden Yards in fiscal 2017. Accordingly, nonbudgeted funds decline by about \$10 million in fiscal 2018. This decline is slightly mitigated due to other increases in nonbudgeted funds, notably an increase in contractual staff and other administrative expenses to provide increased security for the complex.

It should be noted that the Baltimore Ravens organization is planning improvements to M&T Bank stadium that will be largely self-funded and are designed to enhance the fan experience. Given the age of the stadium (opened in 1998), MSA has agreed to participate financially in some of the repairs and renovations based on a facility assessment it recently conducted. The authority will contribute up to \$24 million, or 20%, of the team's portion of the improvements; however, the authority's contribution will focus on infrastructure improvements and repairs. **The authority should comment on any plans it has for financing such repairs or renovations.**

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. A complete cash flow statement of the financing fund is provided in **Appendix 2** of this analysis.

Reimbursable Funds Included in Fiscal 2018 Allowance

Reimbursable funds are introduced to the authority's allowance in fiscal 2018. This is primarily due to funds provided by the Department of Housing and Community Development (DHCD) for the Project C.O.R.E (Creating Opportunities for Renewal and Enterprise) program. Project C.O.R.E. is a city/State partnership designed to demolish thousands of vacant buildings in Baltimore City and replace them with green space. MSA is partnering with DHCD and Baltimore City over a four-year period.

The allowance includes \$7.9 million in reimbursable funds from DHCD's Strategic Demolition and Smart Growth Investment Fund. MSA serves as the project manager and oversees the demolition of vacant buildings that are identified by Baltimore City and DHCD. To date, MSA has completed the first round of demolitions of 27 properties in five locations. Seeding of these properties to create green space is expected in the spring. Work is underway on the second round of properties as environmental surveys are being conducted and initial demolition has begun. MSA has dedicated staff and time to the program beginning in fiscal 2016. Funds for this project were previously budgeted as nonbudgeted funds. However, beginning in fiscal 2018, funds will be reported more accurately as reimbursable funds.

D28A03 – Maryland Stadium Authority

The fiscal 2018 allowance also includes \$350,000 in reimbursable funds for a Maryland sports' grant program to encourage youth and amateur sporting events. Chapter 727 of 2016 included a provision that transfers specified lottery funds to the authority for a grant program to encourage youth and amateur sporting events. The authority designed the program to provide grants to support high-quality amateur sporting events in Maryland that generate a significant economic impact to local communities through participant and attendee spending. Specifically, the grants are available to nonprofit sports event rights holders, National Governing Bodies, and/or tourism-related organizations to support and conduct amateur games, exhibitions, tournaments, and other sports competition-related events in Maryland.

Chapter 727 specifies that \$350,000 in funds be used for this purpose in fiscal 2018 and 2019. The fiscal 2018 allowance reflects this provision and includes \$350,000 in reimbursable funds. In anticipation of this new funding, MSA has established the parameters of the program and has begun taking applications. However, the Budget Reconciliation and Financing Act (BRFA) of 2017 includes a provision that repeals the reference to the program and its funding mandate. To the extent that this provision is enacted, the funding source for this program will no longer be available to the authority. **MSA should comment on its plans for the program given the potential loss of funding.**

Issues

1. Baltimore City School Revitalization Program – Construction Substantially Underway

The Baltimore City Public Schools (BCPS) system has the oldest school buildings in the State. A 2012 assessment of the condition of BCPS facilities by a consultant hired by the Baltimore City Board of School Commissioners estimated a cost of \$2.4 billion to address the educational adequacy, condition, and life-cycle needs of the facilities. In response to this critical need for public school facility improvements in Baltimore City, Chapter 647 of 2013 (Baltimore City Public Schools Construction and Revitalization Act) established a new partnership between 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.

The partners executed a Memorandum of Understanding (MOU) that established the specific roles and responsibilities of each party to implement the construction plan. 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 current role of the city schools, as outlined in the MOU, is to manage some of the renovation projects, control the feasibility studies, and update the Comprehensive Maintenance Plan annually. The Interagency Committee on School Construction is responsible for the approval of maintenance plans, school utilization rates, and, more broadly, all 10-year projects.

The current plan estimates that 23 to 28 schools will be replaced or renovated. The specific projects that will be included in the initiative contain more elementary and middle schools, and fewer high schools, than originally proposed. The program has taken somewhat longer than anticipated due to the program-wide review conducted in 2014. **Exhibit 5** shows each school that is currently included in the program, the type of project that will be undertaken (to the extent known), and each project's current phase. Projects range from the prestudy phase to full construction phase.

Exhibit 5
Baltimore City School Revitalization Plan
School Replacement and Renovation Schedule
Through Calendar 2020

<u>School</u>	<u>Project Type</u>	<u>Program Phase</u>
Year 1 Schools		
Frederick Elementary/Middle	Renovation and Addition	Construction
Ft. Worthington Elementary/Middle	Replacement	Construction
Lyndhurst Elementary/Middle	Renovation and Addition	Construction
John Eager Howard	Renovation and Addition	Construction
Robert Poole	Renovation and Addition	Construction
Cherry Hill Elementary/Middle	Renovation and Addition	Pre-construction
Arundel Elementary	Replacement	Construction
Forest Park High School	Renovation and Addition	Pre-construction
Patterson High School	Replacement	Design
Arlington Elementary	Renovation and Addition	Design
Pimlico Elementary/Middle	Renovation and Addition	Construction
Year 2 Schools		
John Ruhrah Elementary/Middle	Renovation and Addition	Preliminary Design
Calvin M. Rodwell Elementary/Middle	Replacement	Feasibility Study
Medfield Heights Elementary	Replacement	Feasibility Study
Cross Country Elementary/Middle	To Be Determined	Feasibility Study
Fairmont-Harford High School	To Be Determined	Feasibility Study
Govans Elementary	To Be Determined	Feasibility Study
Walter P. Carter and Lois T. Murray Elementary/Middle	To Be Determined	Feasibility Study
Bay-Brook Elementary	To Be Determined	Feasibility Study
Calverton Elementary/Middle	To Be Determined	Feasibility Study
Harford Heights and Sharp Leadenhall Elementary	To Be Determined	Feasibility Study
Mary E. Rodman Elementary	To Be Determined	Feasibility Study
Montebello Elementary/Middle	To Be Determined	Feasibility Study
Commodore John Rogers Elementary/Middle	To Be Determined	Feasibility Study
Highlandtown Elementary/Middle	To Be Determined	Feasibility Study
Northword Elementary	To Be Determined	Procurement of Feasibility Study
Robert W. Coleman Elementary	To Be Determined	Procurement of Feasibility Study
James Mosher Elementary	To Be Determined	Procurement of Feasibility Study

Source: Maryland Stadium Authority

Financing Plan

Chapter 647 established the means by which the revitalization program would be financed by enabling MSA to issue up to \$1.1 billion in debt with a debt service cap of \$60 million annually. There are two nonbudgeted funds administered by MSA to finance the improvements to BCPS facilities. These funds are supported by annual contributions from Baltimore City, the Baltimore City Board of School Commissioners, and the State (through lottery proceeds). The funds will pay for the debt service, design and construction costs, start-up costs, administration, overhead, and operations related to management including all reasonable charges and expenses related to MSA oversight and project management responsibilities.

To date, one bond issuance of \$320 million was issued on April 20, 2016, resulting in \$385 million available for construction. The original estimate for Year 1 schools was approximately \$455 million to be funded by the first bond issuance and a portion of the second issuance. However, these costs are subject to change as the program evolves. A second issuance is expected in mid-fiscal 2018.

Exhibit 6 shows the actual and expected MSA revenues and expenditures related to the school construction program for fiscal 2016 through 2018. Expenditures increase significantly in fiscal 2017, reflecting the bulk of the new construction.

Exhibit 6			
Baltimore City School Revitalization Program			
Fiscal 2016-2018			
	2016	2017	2018
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Beginning Cash Funds	\$31,850	\$419,056	\$153,940
Funding Sources			
Bond\Lottery Proceeds			
Bond Proceeds	\$386,134	\$0	\$300,000
Unspent Bond Proceeds	0	0	0
Lottery Proceeds	20,000	20,000	20,000
Subtotal	\$406,134	\$20,000	\$320,000
Other Revenue			
Baltimore City	\$12,304	\$20,000	\$20,000
Baltimore City Public Schools	0	20,000	20,000
Investment Income	852	800	800
Subtotal	\$13,156	\$40,800	\$40,800
Total Revenues	\$419,290	\$60,800	\$360,800
Total Funds Available	\$451,140	\$479,856	\$514,740

D28A03 – Maryland Stadium Authority

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Disbursements			
Operating Expenses			
General Overhead	\$3,749	\$8,553	\$8,942
Bond Financing	856	0	0
Baltimore City Public School Reimbursement	0	0	0
Program Manager	2,958	4,200	3,500
Architects/Construction	21,854	290,003	225,000
Feasibility Studies	0	2,353	0
Subtotal	\$29,417	\$305,109	\$237,442
Debt Service and Financing Costs			
Series 2015 Bonds	\$2,667	\$20,807	\$20,807
Subtotal	\$2,667	\$20,807	\$20,807
Total Uses	\$32,084	\$325,916	\$258,249
Net Funding Available	\$387,206	-\$265,116	\$102,551
Ending Balance	\$419,056	\$153,940	\$256,491

Source: Maryland Stadium Authority

Chapter 489 of 2015 (the BRFA) included a provision that repealed, for fiscal 2016 only, the requirement that the BCPS system contribute funds to the revitalization program. There was an expectation that the timing of the construction and the timing of the debt issuance would allow for a delay in a portion of the funding needs. It was determined that this delay could be used to alleviate some of the financial pressure on the school system in fiscal 2016.

The delay did indeed lead to much lower than expected expenses for fiscal 2016, in fact, much lower than the original lowered expectation. It was expected that a debt service payment of \$8.5 million would be incurred as well as construction and overhead costs of \$47.4 million. However, as shown in Exhibit 6, actual debt service payments in fiscal 2016 were \$2.7 million and actual programmatic costs were \$29.4 million. Despite these lower costs, the State still provided the full contribution of \$20.0 million in fiscal 2016, and revenues from Baltimore City totaled \$12.3 million as required by statute. Only the school system was relieved of their fiscal 2016 contribution.

The fiscal 2016 ending balance in the school construction financing fund was over \$419.0 million. Given the constraints on the General Fund, the large fiscal 2016 ending balance, and the pace of expected activity there is an opportunity to consider the use of funds from MSA's school construction financing fund to alleviate some of the general fund constraint. This could take the form of a transfer authorized in the 2017 BRFA from the financing fund to the General Fund in the amount of \$17.3 million – the State lottery contribution (\$20.0 million) minus the funds that were needed for debt service (\$2.7 million).

Alternatively, the 2017 BRFA could authorize some portion of the fiscal 2016 State contribution to serve as a portion of the fiscal 2018 contribution from the Baltimore City Board of School Commissioners. The city schools have experienced recent financial pressure. Declining enrollments and a relative increase in wealth determination has led to significant and abrupt declines in funding. It is expected that fiscal 2018 funding levels for the city schools will be over \$40 million less than in fiscal 2017. To the extent these funds are not used for current fiscal needs and that significant funds are left in the program's financing fund, there would be potential to fund the renovation or replacement of an additional school that would be in a proposed Year 3 phase of the construction program.

It should be noted that any proposed BRFA amendment would include language ensuring that a transfer would in no way signal change in the State's obligation to the current or future bondholders that are funding the school construction program.

The Department of Legislative Services (DLS) recommends that MSA update the subcommittees on the progress of the Baltimore City School Revitalization Program. Further, MSA should comment on the program's financing and on any implications of transferring a portion of the State's fiscal 2016 contribution to the General Fund or to relieve the city school system of its fiscal 2018 financial obligation. DLS further recommends that the subcommittee consider a BRFA provision that allows the excess fiscal 2016 fund balance to be used for other more immediate needs.

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 MSA's nonbudgeted funds.

Current Projects

The Baltimore City School Revitalization Program and Project C.O.R.E. are discussed in various sections above in this analysis.

- ***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. It is estimated that the project will be completed next winter.

Soon to Be Released Studies

- ***Worcester County Multi-sports Complex:*** It is expected that a market and economic study on the feasibility of a multi-purpose sports complex in Worcester County will be released in February 2017. The county commissioners requested the study to be the first phase of an analysis of a proposed multi-sports complex that would examine the market demand in the area, including how the proposed complex will affect other State-owned facilities, such as OCCC and the Wicomico Civic Center. The proposed project could include an arena with ice rink, an adjacent practice ice rink, and an outdoor sports complex. Further, the proposed complex would host a minor league hockey team. To the extent that the study demonstrates sufficient demand for the proposed facility, a second phase study would examine potential economic and fiscal impacts at the State and county level.

Ongoing Studies

- ***OCCC 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 OCCC. This request represents the third study on the expansion of the center over the last 20 years. This particular study is examining the feasibility of expanding the exhibit hall and support spaces and is examining the parking needs. MSA reports that this study is close to completion.
- ***Pimlico Race Course and the Preakness Stakes:*** In March 2016, the Chairman of the Maryland Racing Commission asked MSA to manage a study evaluating Pimlico Race Course’s ability to serve as the permanent home for the Preakness Stakes. The first phase would entail a facility assessment and a comprehensive evaluation of the existing condition of Pimlico Race Course, as well as a needs assessment that would include an examination of the future opportunities and threats to the race course and a preliminary cost estimate to address the identified needs. The second phase of the study would focus on a development strategy that would include concept development, cost and benefit estimates, and the identification of funding sources. The study is expected to be released within the next few months.

Appendix 1
Current and Prior Year Budgets
Maryland Stadium Authority
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$12,175	\$40,000	\$0	\$0	\$52,175
Deficiency Appropriation	1,403	0	0	0	1,403
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-1,764	0	0	0	-1,764
Actual Expenditures	\$11,815	\$40,000	\$0	\$0	\$51,815
Fiscal 2017					
Legislative Appropriation	\$12,530	\$40,000	\$0	\$0	\$52,530
Cost Containment	-1,311	0	0	0	-1,311
Budget Amendments	0	0	0	0	0
Working Appropriation	\$11,219	\$40,000	\$0	\$0	\$51,219

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The fiscal 2016 original general fund appropriation was increased by a deficiency appropriation of over \$1.4 million to supplement the State’s share of the Baltimore City Convention Center (BCCC) operating deficit. However, the city significantly reduced costs at the convention center over the course of the year and, therefore, the need for State funding was reduced and the funds were reverted to the General Fund.

Fiscal 2017

The Maryland Stadium Authority’s fiscal 2017 legislative appropriation was reduced by \$1,311,000 at the November 2016 Board of Public Works hearing. These funds were dedicated to the State’s share of the operating deficit at BCCC. The city has made a concerted effort to reduce costs at the center, thereby lowering the operating deficit.

Appendix 2
Maryland Stadium Authority Financing Fund
For Camden Yard Complex Activities
Fiscal 2015-2018 Est.
(\$ in Thousands)

	<u>Actual</u> <u>2015</u>	<u>Actual</u> <u>2016</u>	<u>Est.</u> <u>2017</u>	<u>Est.</u> <u>2018</u>
Beginning Balance	\$15,466	\$14,958	\$15,132	\$7,524
Bond Proceeds	\$9,585	\$0	\$10,000	\$0
Master Equipment Lease Financing for Audio/Visual Equipment	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>\$29,585</i>	<i>\$20,000</i>	<i>\$30,000</i>	<i>\$20,000</i>
Other Revenues				
Miscellaneous Income	\$1,635	\$3,217	\$1,350	\$1,475
Catering Events	523	539	500	500
Memorial Stadium Land Sale	0	0	0	0
Admission Tax	14,007	9,177	11,250	10,250
Baseball Rent	8,572	8,453	7,250	8,000
Baseball Suite Amortization	703	630	600	570
Football Operations	8,963	9,765	11,139	11,750
Warehouse Lease	4,421	4,000	4,000	4,100
Construction Management Fee	178	106	50	0
Baltimore City	1,000	1,000	1,000	1,000
<i>Subtotal Other Revenues</i>	<i>\$40,002</i>	<i>\$36,887</i>	<i>\$37,139</i>	<i>\$37,645</i>
Total Funds Available	\$85,053	\$71,845	\$82,271	\$65,169
Uses				
Maryland Stadium Authority (MSA) Administration	\$4,182	\$3,294	\$3,855	\$4,109
Camden Yards Operations	27,707	28,090	34,920	31,532
<i>Subtotal MSA/Camden Operating</i>	<i>\$31,889</i>	<i>\$31,384</i>	<i>\$38,775</i>	<i>\$35,641</i>
Capital Improvement Funds for Oriole Park ¹	\$400	\$400	\$400	\$400
Baseball Suite Renovate	0	0	500	500
Baseball Stadium Capital Projects	3,197	0	10,000	0
Other (Ocean City Convention Center Expansion)	0	0	0	0
Pit Lane Improvements	0	0	0	0
<i>Subtotal MSA/Camden Operating and Capital</i>	<i>\$35,486</i>	<i>\$31,784</i>	<i>\$49,675</i>	<i>\$36,541</i>

D28A03 – Maryland Stadium Authority

	<u>Actual</u> <u>2015</u>	<u>Actual</u> <u>2016</u>	<u>Est.</u> <u>2017</u>	<u>Est.</u> <u>2018</u>
Debt Service and Financing	\$33,609	\$24,929	\$25,072	\$26,070
School Construction	0	0	0	0
State Rent Payment	1,000	0	0	0
Total Uses	\$70,095	\$56,713	\$74,747	\$62,611
Ending Balance	\$14,958	\$15,132	\$7,524	\$2,558

¹ 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

**Appendix 3
Object/Fund Difference Report
Maryland Stadium Authority**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	108.87	111.85	111.85	0.00	0%
02 Contractual	16.00	18.50	18.50	0.00	0%
Total Positions	124.87	130.35	130.35	0.00	0%
Objects					
01 Salaries and Wages	\$ 9,733,262	\$ 8,066,281	\$ 13,245,410	\$ 5,179,129	64.2%
02 Technical and Spec. Fees	477,688	582,823	653,515	70,692	12.1%
03 Communication	62,792	67,436	69,992	2,556	3.8%
04 Travel	71,961	97,237	110,442	13,205	13.6%
06 Fuel and Utilities	4,829,432	6,309,909	6,122,153	-187,756	-3.0%
07 Motor Vehicles	29,589	54,320	54,320	0	0%
08 Contractual Services	44,470,490	326,098,247	260,757,377	-65,340,870	-20.0%
09 Supplies and Materials	822,086	971,000	978,200	7,200	0.7%
10 Equipment – Replacement	0	500,000	500,000	0	0%
11 Equipment – Additional	103,730	130,000	130,000	0	0%
12 Grants, Subsidies, and Contributions	28,062,965	28,558,882	28,906,768	347,886	1.2%
13 Fixed Charges	30,255,193	37,936,923	29,556,689	-8,380,234	-22.1%
Total Objects	\$ 118,919,188	\$ 409,373,058	\$ 341,084,866	-\$ 68,288,192	-16.7%
Funds					
01 General Fund	\$ 11,814,779	\$ 11,219,365	\$ 11,218,786	-\$ 579	0%
03 Special Fund	40,000,000	40,000,000	40,000,000	0	0%
07 Nonbudgeted Fund	67,104,409	358,153,693	281,641,932	-76,511,761	-21.4%
09 Reimbursable Fund	0	0	8,224,148	8,224,148	n/a
Total Funds	\$ 118,919,188	\$ 409,373,058	\$ 341,084,866	-\$ 68,288,192	-16.7%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 4
Fiscal Summary
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 0	0%
41 General Administration	3,293,667	2,731,381	4,085,911	1,354,530	49.6%
42 Capital Programs – Baseball/Football Pre-construction	5,401,418	16,686,207	6,495,563	-10,190,644	-61.1%
44 Facilities Management	28,018,493	30,358,986	31,735,389	1,376,403	4.5%
48 Facilities Management	125,000	125,000	125,000	0	0%
55 Baltimore Convention Center	5,931,150	6,777,552	6,692,678	-84,874	-1.3%
58 Ocean City Convention Center	2,932,959	1,491,330	1,577,090	85,760	5.8%
59 Montgomery County Conference Center	1,558,250	1,558,000	1,555,250	-2,750	-0.2%
60 Hippodrome Performing Arts Center	1,832,420	1,832,483	1,833,768	1,285	0.1%
63 Office of Sports Marketing	408,207	318,893	862,805	543,912	170.6%
66 School Debt Service	20,000,000	29,000,000	20,805,750	-8,194,250	-28.3%
67 Baltimore City School Construction	29,417,624	298,092,124	237,441,514	-60,650,610	-20.3%
68 Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise)	96,432	401,102	7,874,148	7,473,046	1863.1%
Total Expenditures	\$ 119,015,620	\$ 409,373,058	\$ 341,084,866	-\$ 68,288,192	-16.7%
General Fund	\$ 11,814,779	\$ 11,219,365	\$ 11,218,786	-\$ 579	0%
Special Fund	40,000,000	40,000,000	40,000,000	0	0%
Nonbudgeted Fund	67,104,409	358,153,693	281,641,932	-76,511,761	-21.4%
Total Appropriations	\$ 118,919,188	\$ 409,373,058	\$ 332,860,718	-\$ 76,512,340	-18.7%
Reimbursable Fund	\$ 0	\$ 0	\$ 8,224,148	\$ 8,224,148	n/a
Total Funds	\$ 118,919,188	\$ 409,373,058	\$ 341,084,866	-\$ 68,288,192	-16.7%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.