

D28A03
Maryland Stadium Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$9,225	\$11,219	\$10,820	-\$399	-3.6%
Adjusted General Fund	\$9,225	\$11,219	\$10,820	-\$399	-3.6%
Special Fund	40,000	40,000	40,000	0	
Adjusted Special Fund	\$40,000	\$40,000	\$40,000	\$0	0.0%
Nonbudgeted Fund	216,265	285,565	332,029	46,464	16.3%
Adjusted Nonbudgeted Fund	\$216,265	\$285,565	\$332,029	\$46,464	16.3%
Reimbursable Fund	0	7,874	7,502	-373	-4.7%
Adjustments	0	0	-350	-350	
Adjusted Reimbursable Fund	\$0	\$7,874	\$7,152	-\$723	-9.2%
Adjusted Grand Total	\$265,490	\$344,658	\$390,001	\$45,343	13.2%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The Maryland Stadium Authority's (MSA) fiscal 2019 budget increases substantially (\$45.3 million) from the fiscal 2018 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, which increase by \$46.7 million. All other changes are less than \$1.0 million.
- The Budget Reconciliation and Financing Act of 2018 proposes to eliminate a \$350,000 grant in the Office of Sports Marketing for sports grants to encourage youth and amateur sporting events.

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

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Personnel Data

	<u>FY 17 Actual</u>	<u>FY 18 Working</u>	<u>FY 19 Allowance</u>	<u>FY 18-19 Change</u>
Regular Positions	111.85	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	127.85	130.35	130.35	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	Nonbudgeted	Nonbudgeted
Positions and Percentage Vacant as of 12/31/17	6.00	5.36%

- MSA projects 111.85 full-time equivalents (FTE) and 18.5 contractual FTEs in fiscal 2019, the same starting level as fiscal 2018.
- Of the regular positions, 21.85 FTEs are dedicated to administration, 59.0 FTEs support the Camden Yards Sports Complex, 3.0 FTEs support the Office of Sports Marketing, 27.0 FTEs are dedicated to the Baltimore City School Revitalization Program, and 1.0 FTE is dedicated to Project Creating Opportunities for Renewal and Enterprise (C.O.R.E).
- Contractual FTEs total 1.0 in administration, 14.5 in the Camden Yards Sports Complex, 1.0 in the Office of Sports Marketing, and 2.0 in the Baltimore City School Revitalization Program.
- MSA resources fund administration and the Camden Yards Sports Complex. Baltimore City Public Schools Construction is supported by its facilities fund and reimbursable funds support Project C.O.R.E and sports marketing.
- MSA is currently reporting 6.0 FTE vacancies, 1.0 in Camden Yards facilities management and 5.0 in Baltimore City Public Schools Construction.

Analysis in Brief

Major Trends

Revenue from Events: Big 2016 Followed by Slowdown at M&T Bank Stadium: 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. M&T Bank Stadium, home of the Baltimore Ravens, will be renovated to improve the fan experience during the 2018 and 2019 football offseasons, precluding events at the stadium, thus reducing revenues.

Maryland Sports' Events Hold Steady in Fiscal 2017: 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 had been successful in the short term in attracting or marketing an increasing number of events. Between fiscal 2015 and 2016, sporting events in the State increased by 38%. Fiscal 2018 was stable with 320 events, 3 more than in fiscal 2017.

Issues

Baltimore City School Revitalization Program Construction Is 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 was largely underway in fiscal 2017, and MSA provided one bond issuance of \$320 million in April 2016, resulting in \$385 million available for construction. The February 2018 bond sale provided another \$496 million for construction. Planning for the second phase of projects has begun, and significant progress is expected in fiscal 2018. **The Department of Legislative Services recommends that MSA update the subcommittees on the progress of the Baltimore City School Revitalization Program.**

Legislation Extending the State's Baltimore City Convention Center Operating Subsidy Is Introduced: The State is required to support two-thirds of the Baltimore City Convention Center's operating budget deficit, and the city supports the remaining third of the deficit. The State and the city are both required to provide another \$200,000 annually for the Capital Improvement Reserve Fund. Both State subsidies expire on December 31, 2019. SB 400 and HB 311 would amend this date so that the State subsidies continue until December 31, 2029.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

Project Updates: Current law authorizes MSA to assist State agencies and local governments in managing construction projects or conducting feasibility studies. Several projects or studies have been recently completed or are still ongoing, such as the State Center Development Options, the Fair Hill Race Course improvements study, the Crownsville Hospital Center Assessment of Development Options, and the Pimlico Race Course assessment study.

Stadium Authority Response to a Request to Discuss Its Role in Economic Development: The fiscal 2016 *Joint Chairmen's Report* required that MSA and the Department of Commerce report on MSA's role in statewide economic development. In the response, MSA addresses how the agency cooperates with the State's economic development agencies and how MSA's projects fit into the State's overall economic development strategic plan. The report was submitted on November 30, 2017.

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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 the Orioles professional baseball and the Ravens professional 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 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.

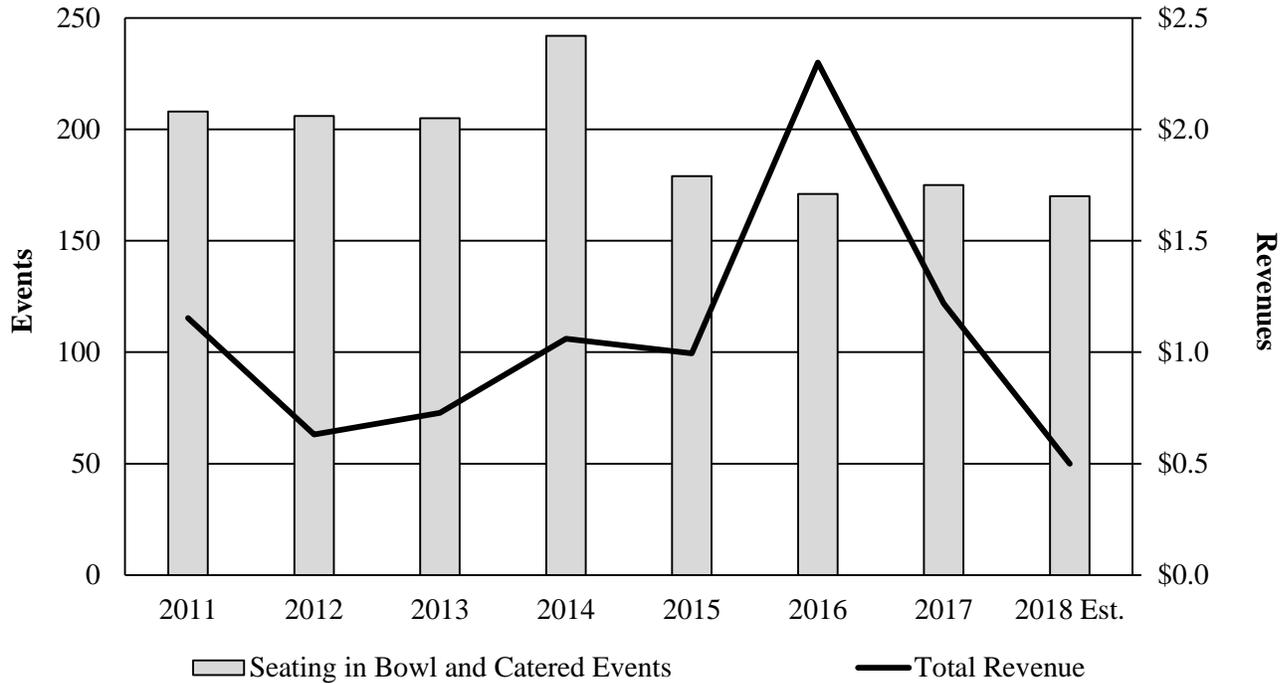
Performance Analysis: Managing for Results

1. Revenue from Events: Big 2016 Followed by Slowdown at M&T Bank Stadium

Nonprofessional sporting events and other seating bowl¹ 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.

¹ Regular professional league events excluding Orioles and Ravens games. This includes concerts, soccer, college football, and high school football. Other events are catered events. Catered events can be corporate meetings, wedding receptions, holiday parties, proms, and trade shows. For nonprofessional events at the Ravens' football stadium, the State receives 45% of the revenues, and the Ravens receive the remainder. For catered events, MSA receives commissions that are about 20% of revenues from concessions.

**Exhibit 1
Camden Yards Sports Complex Nonprofessional Events
Fiscal 2011-2018 Est.
(\$ in Millions)**



Source: Maryland Stadium Authority

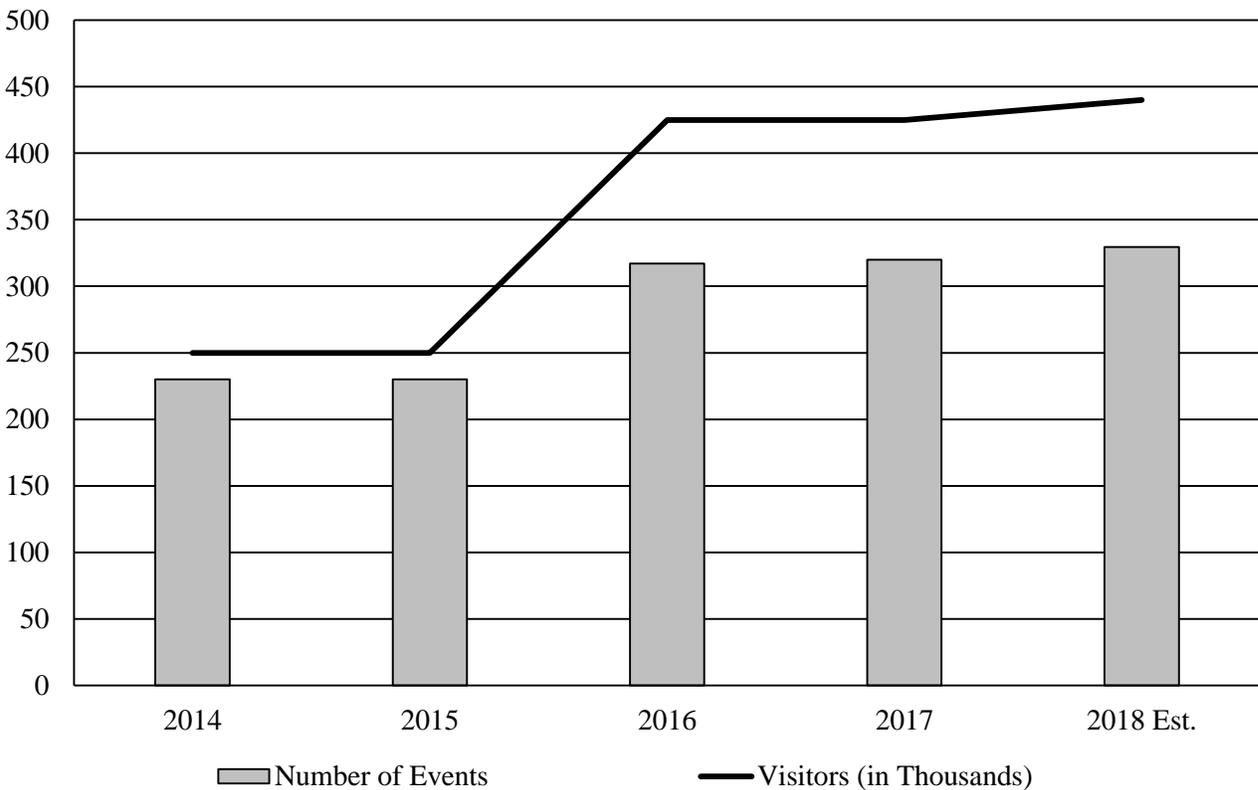
In fiscal 2016, the number of events declined. This follows another year of declining events. The authority reports that catered events, such as proms, receptions, and other similar events, are not as attracted to the facilities as in prior years. However, the authority has had greater success in attracting 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 returned to a more typical level.

The anticipated decline in fiscal 2018 revenue is attributable to renovations at the Ravens Stadium, which reduce the number of opportunities to attract events. The renovations should be completed by fiscal 2020. The expectation is that revenues will get back to the \$1.0 million level when the renovations are completed.

2. Maryland Sports' Events Hold Steady in Fiscal 2017

MSA'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.

Exhibit 2
Maryland Sports Events and Visitors
Fiscal 2014-2018 Est.



Source: Maryland Stadium Authority

It is not entirely clear why there were steep increases in fiscal 2016. MSA has expressed concerns that data from earlier years may not be entirely accurate and advises that it is working to improve the data. At any rate, in recent years, the State has been holding about 325 events that attract about 425,000 visitors.

Maryland Sports is working with other state and local governments to attract the Men’s and Women’s FIFA World Cup events to Maryland and assisting in bringing a new four-star horse event that could attract up to 80,000 people over a four-day period. The office previously helped in securing the National Collegiate Athletic Association women’s lacrosse finals over the next couple of years.

Fiscal 2018 Actions

Cost Containment

On September 6, 2017, the Board of Public Works reduced MSA’s fiscal 2018 appropriation by \$350,000. Chapter 727 of 2016 included a provision that transfers specified lottery funds to the authority for an incentive grant program to encourage youth and amateur sporting events. The grants are available to nonprofit sports event rights holders, National Governing Bodies, and tourism-related organizations to support and conduct amateur games, exhibitions, tournaments, and other sports competition-related events in Maryland.

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 2019 allowance is \$390 million, an increase of \$45.3 million from the 2018 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, which increases by \$46.7 million. All other changes are less than \$1.0 million. 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:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Nonbudgeted</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2017 Actual	\$9,225	\$40,000	\$216,265	\$0	\$265,490
Fiscal 2018 Working Appropriation	11,219	40,000	285,565	7,874	344,658
Fiscal 2019 Allowance	<u>10,820</u>	<u>40,000</u>	<u>332,029</u>	<u>7,152</u>	<u>390,001</u>
Fiscal 2018-2019 Amount Change	-\$399	\$0	\$46,464	-\$723	\$45,343
Fiscal 2018-2019 Percent Change	-3.6%		16.3%	-9.2%	13.2%

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Where It Goes:

General Administration and Marketing

General Administration	\$594
Office of Sports Marketing ¹	401

Camden Yards Sports Complex Stadiums

Baltimore Orioles Improvement Fund.....	75
Camden Complex facility management.....	-321
Camden Yards Financing Funds.....	-973

Convention Centers and Hippodrome Operating Subsidies

Hippodrome and Montgomery County Convention Center	-1
Ocean City Convention Center	-50
Baltimore City Convention Center	-348

Baltimore City School Revitalization Program

Baltimore City Public Schools Construction Financing Fund supporting debt service.....	39,191
Baltimore City Public Schools Construction Facilities Fund supporting construction	7,497

Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise)

Reimbursable Fund from Department of Housing and Community Development	-723
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Total **\$45,343**

¹ Fiscal 2019 is adjusted to reflect a \$350,000 contingent reduction to remove the Horse Racing Special Fund transfer from the Department of Labor, Licensing, and Regulation’s Division of Sports Marketing.

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

Exhibit 4
Maryland Stadium Authority Budget Summary by Fund Source
Fiscal 2016-2019 Allowance
(\$ in Thousands)

	<u>Actual</u> <u>2016</u>	<u>Actual</u> <u>2017</u>	<u>Working</u> <u>Approp.</u> <u>2018</u>	<u>Allowance</u> <u>2019</u>	<u>Change</u> <u>2018-19</u>
General Funds					
Baltimore City Convention Center – State operating deficit contribution	\$5,931	\$4,952	\$6,693	\$6,345	-\$348
Ocean City Convention Center – State operating deficit contribution	2,933	1,322	1,577	1,527	-50
Montgomery County Conference Center – State portion of construction costs	1,558	1,558	1,555	1,555	0
Hippodrome Performing Arts Center – State portion of construction costs	1,392	1,392	1,393	1,393	0
Subtotal	\$11,815	\$9,225	\$11,219	\$10,820	-\$399

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	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Working Approp. 2018</u>	<u>Allowance 2019</u>	<u>Change 2018-19</u>
Special Funds: State Lottery					
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	20,000	20,000	20,000	20,000	0
Subtotal	\$40,000	\$40,000	\$40,000	\$40,000	\$0
Nonbudgeted Funds: Maryland Stadium Authority Financing Fund					
General Administration	\$3,294	\$3,874	\$4,112	\$4,707	\$594
Camden Yards – debt service and other costs not funded by lottery revenues ¹	5,401	6,790	6,496	5,523	-973
Camden Yards Complex Facilities Management	28,018	31,034	31,831	31,510	-321
Facilities management for Oriole Park improvements per Orioles lease	125	125	125	200	75
Hippodrome Performing Arts Center ticket surcharge	440	439	440	440	0
Office of Sports Marketing	408	629	513	914	401
Subtotal	\$37,687	\$42,890	\$43,517	\$43,293	-\$223
Nonbudgeted Funds: Baltimore City School Construction Financing and Facilities Fund					
Financing Fund	\$0	\$806	\$806	\$39,997	\$39,191
Facilities Fund	29,418	169,206	241,243	248,739	7,497
Subtotal	\$29,418	\$170,013	\$242,048	\$288,736	\$46,688
Reimbursable Funds					
Project C.O.R.E.	\$0	\$3,362	\$7,874	\$7,152	-\$723
Youth and Amateur Sports Program	0	0	0	350	350
Subtotal	\$0	\$3,362	\$7,874	\$7,502	-\$373
Contingent Reduction	\$0	\$0	\$0	-\$350	-\$350
Subtotal Reimbursable Funds	\$0	\$3,362	\$7,874	\$7,152	-\$723
Total	\$118,919	\$265,490	\$344,658	\$390,001	\$45,343

C.O.R.E.: Creating Opportunities for Renewal and Enterprise

¹ Budgeted insurance funds are below recent actual spending. Additional expenses may be incurred.

Source: Maryland Stadium Authority

Small Net Decrease in General Funds

General funds comprise a small portion of MSA’s budget and are used to supplement debt service and operational 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. The bonds that were issued for the expansion were retired in fiscal 2015. The fiscal 2019 allowance includes \$6.1 million for the operating deficit and a \$200,000 capital improvement fund. Baltimore City has taken steps to keep operating costs down in recent years and costs decline by approximately \$348,000.
- **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 fiscal 2019 allowance provides \$1.5 million for this purpose, a small decrease of approximately \$50,000. Chapter 630 of 2012 extended the timeframe for which the State is responsible for one-half of the deficit until fiscal 2036.
- **Hippodrome Performing Arts Center:** The allowance includes \$1.39 million in general funds and \$440,000 in nonbudgeted funds to fund the fiscal 2019 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 2019 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 2019 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 \$24.3 million in total debt service in fiscal 2019. Of this amount, approximately \$745,000 is for debt service on Camden Station, \$980,000 is for energy projects, and \$449,000 is for equipment lease financing. MSA will contribute nonbudgeted funds for the remaining debt service.

Also included in the fiscal 2019 allowance is an additional \$20 million in lottery proceeds to support MSA activities related to the Baltimore City School Revitalization Program. This is discussed further under the Issues section of this analysis.

Nonbudgeted Funds: Maryland Stadium Authority Financing Fund

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 admissions taxes, and MSA project management fees. A complete cash flow statement for the financing fund is provided in **Appendix 3** of this analysis.

The Baltimore Ravens' organization is planning improvements to M&T Bank stadium that will be self-funded and are designed to enhance the fan experience. This will be done during the 2018 and 2019 offseasons. The improvements include installing escalators on the north and south sides of the stadium from the street level to the upper concourse, building new party suites, major kitchen upgrades, and club and suite level 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 Camden Yards. 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 fiscal 2018 or 2019. The most recent rent payment was \$1 million in fiscal 2015.

Nonbudgeted Funds: Baltimore City School Construction Financing and Facilities Fund

Nonbudgeted funds also support the Baltimore City School Revitalization Program. The fiscal 2019 budget increases spending by \$47 million, based on cash flow needs. This includes \$40 million for the Baltimore City School Construction Financing Fund and \$249 million for the Baltimore City School Construction Facilities Fund. The Issues section includes a discussion about how construction is progressing.

Reimbursable Funds

The authority receives reimbursable funds:

- from the Department of Housing and Community Development (DHCD) for Project Creating Opportunities for Renewal and Enterprise (C.O.R.E.); and
- from the lottery for youth and amateur sports grants.

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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. MSA advises that no MSA funds will be used for this project.

MSA serves as the project manager and oversees the demolition of vacant buildings that are identified by Baltimore City and DHCD. The goal is to identify projects that build upon existing community strengths and assets. Some of these include proximity to 21st Century School investments, anchor institutions such as hospitals and universities, other major investments such as major rental preservation projects, and transit and transit-oriented development, as well as projects that build upon residential market strength. 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. MSA received \$3.4 million in fiscal 2017 and completed the first round of demolitions of 27 properties in five locations. Fiscal 2018 and 2019 include \$7.9 million and \$7.2 million, respectively. Prior to demolition, the city is acquiring entire blocks. MSA advises that it is prepared to demolish properties after Baltimore City has completed all of the necessary work to acquire the properties.

Fiscal 2018 and 2019 also include \$350,000 in each year in reimbursable funds for a Maryland sports' grant program to encourage youth and amateur sporting events. Chapter 727 included a provision that transfers specified lottery funds to the authority for an incentive grant program to encourage youth and amateur sporting events. The authority designed the program to provide grants to support amateur sporting events in Maryland that generate an 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 tourism-related organizations to support and conduct amateur games, exhibitions, tournaments, and other sports competition-related events in Maryland. The Governor reduced fiscal 2018 funding by the entire \$350,000 as a cost containment measure. The Budget Reconciliation and Financing Act of 2018 proposes to reduce the fiscal 2019 funding, which totals \$350,000.

Issues

1. Baltimore City School Revitalization Program Construction Is 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 lifecycle 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. To support the program, MSA has a staff of 27 employees and a budget of \$17.2 million in fiscal 2018.

The 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 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 to develop than anticipated due to the programwide 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 feasibility study phase to completion.

Exhibit 5
Baltimore City School Revitalization Plan
School Replacement and Renovation Schedule

<u>Schools</u>	<u>Project Type</u>	<u>Program Phase</u>
Year 1 Schools		
Frederick Elementary/Middle	Renovation and Addition	Open
Ft. Worthington Elementary/Middle	Replacement	Open
Lyndhurst Elementary/Middle	Renovation and Addition	Substantially Complete – Open in March 2018
John Eager Howard/Dorothy I Height ES	Renovation and Addition	Substantially Complete – Open in March 2018
Robert Poole	Renovation and Addition	Construction – Open in August 2018
Cherry Hill Elementary/Middle	Renovation and Addition	Construction – Open in August 2018
Arundel Elementary	Replacement	Construction – Open in August 2018
Forest Park High School	Renovation and Addition	Construction – Open in August 2018
Patterson High School	Replacement	Design
Arlington Elementary	Renovation and Addition	Design
Pimlico Elementary/Middle	Renovation and Addition	Construction – Open in August 2018
Year 2 Schools		
John Ruhrah Elementary/Middle	Renovation and Addition	Design
Calvin M. Rodwell Elementary/Middle	Replacement	Design
Medfield Heights Elementary	Replacement	Feasibility Study
Cross Country Elementary/Middle	Renovation	Feasibility Study
Fairmont-Harford High School	Renovation and Addition	Design
Govans Elementary	Replacement	Feasibility Study
Walter P. Carter and Lois T. Murray Elementary/Middle	Replacement	Design
Bay-Brook Elementary	Replacement	Design
Calverton Elementary/Middle	Replacement	Feasibility Study
Harford Heights and Sharp Leadenhall Elementary	Renovation	Feasibility Study
Mary E. Rodman Elementary	Renovation and Addition	Design
Montebello Elementary/Middle	Renovation and Addition	Feasibility Study
Commodore John Rogers Elementary/Middle	Addition	Design
Highlandtown #237 Elementary/Middle	Addition	Design
Northwood Elementary	To Be Determined	Feasibility Study
Robert W. Coleman Elementary	To Be Determined	Feasibility Study
James Mosher Elementary	Renovation and Addition	Feasibility Study

Source: Maryland Stadium Authority, December 2017

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 pay for the debt service, design and construction costs, startup costs, administration, overhead, and operations related to management, including all reasonable charges and expenses related to MSA oversight and project management responsibilities.

MSA plans three bond issuances to finance construction. The first \$320 million bond issuance was issued in April 2016. The bonds' par value and premium provide \$385 million for construction. In February 2017, MSA closed a bond sale issuing \$426 million. The sale generated a bond premium totaling \$70 million. MSA received approximately \$880 million in construction proceeds from the first two bond sales. MSA anticipates one more issuance with a par value of about \$200 million. That final issue should increase annual debt service to \$60 million, as anticipated in the legislation.

Exhibit 6 shows the actual and expected MSA revenues and expenditures related to the school construction program for fiscal 2017 through 2019. Architectural and construction costs exceed \$200 million in fiscal 2018 and 2019.

Exhibit 6
Baltimore City School Revitalization Program Cash Flows
Fiscal 2017-2019 Est.
(\$ in Thousands)

	2017 <u>Actual</u>	2018 <u>Estimate</u>	2019 <u>Estimate</u>
Beginning Cash Funds	\$419,056	\$296,645	\$552,576
Funding Sources			
Bond\Lottery Proceeds			
Bond Proceeds	\$0	\$495,694	\$208,000
Lottery Proceeds	20,000	20,000	20,000
Subtotal	\$20,000	\$515,694	\$228,000
Other Revenue			
Baltimore City	\$25,235	\$20,000	\$20,000
Baltimore City Public Schools	20,000	20,000	20,000
Investment Income	2,366	800	700
Subtotal	\$47,601	\$40,800	\$40,700
Total Revenues	\$67,601	\$556,494	\$268,700
Total Funds Available	\$486,657	\$853,139	\$821,276

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	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Estimate</u>	<u>2019</u> <u>Estimate</u>
Disbursements			
Operating Expenses			
General Overhead	\$15,400	\$12,504	\$12,131
Bond Financing	0	0	0
Baltimore City Public School Reimbursement	0	0	0
Program Manager	4,702	4,700	4,700
Architects/Construction	148,766	262,553	231,718
Feasibility Studies	338	0	0
Subtotal	\$169,206	\$279,757	\$248,549
Debt Service and Financing Costs			
Series 2015 and 2018 Bonds	\$20,806	\$33,381	\$59,992
Subtotal	\$20,806	\$33,381	\$59,992
Total Uses	\$190,012	\$313,138	\$308,546
Ending Balance	\$296,645	\$540,001	\$500,155

Source: Maryland Stadium Authority; Department of Legislative Services, February 2018

2. Legislation Extending the State’s Baltimore City Convention Center Operating Subsidy Is Introduced

Section 10-640 of the Economic Development Article requires that the State and Baltimore City share the costs of any annual operating budget deficit at BCCC. The State is required to support two-thirds of the deficit, and the city supports the remaining third of the deficit. The State and the city are both required to provide another \$200,000 annually for the Capital Improvement Reserve Fund. Both State subsidies expire on December 31, 2019. SB 400 and HB 311 would amend this date so that the State subsidies continue until December 31, 2029.

Exhibit 7 shows that the fiscal 2019 State operating budget subsidy and capital reserve is \$6.1 million. If legislation is not enacted, the subsidy is reduced to \$3.2 million in fiscal 2020, which is the last year of the subsidy.

Exhibit 7
Baltimore City Convention Center Operating Budget Deficit
State and City Subsidies
Fiscal 2018-2020
(\$ in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Deficit			
Revenues	\$10,219	\$10,424	\$10,622
Expenses	19,958	19,272	19,754
Operating Deficit	-\$9,739	-\$8,848	-\$9,132
Subsidies and Reserves If Current Formula Continues: Legislation Enacted			
City Subsidy	\$3,246	\$2,949	\$3,044
Capital Improvement Reserve	200	200	200
Total City Subsidy and Reserve	\$3,446	\$3,149	\$3,244
State Operating Subsidy	\$6,493	\$5,899	\$6,088
Capital Improvement Reserve	200	200	200
Total State Subsidy and Reserve	\$6,693	\$6,099	\$6,288
Total Subsidy and Reserve	\$10,139	\$9,248	\$9,532
Subsidies and Reserves Under Current Law: Legislation Fails			
City Subsidy and Reserve	\$3,446	\$3,149	\$6,288
State Subsidy and Reserve ¹	6,693	6,099	3,244
Total Subsidy and Reserve	\$10,139	\$9,248	\$9,532

¹ Fiscal note assumes that State pays entire \$200,000 reserve subsidy in fiscal 2020.

Source: Maryland Stadium Authority, February 2018

Operating Budget 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 an early 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, 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 of this analysis. MSA is also assisting Ocean City with Phase III of its convention center expansion. The city received \$500,000 from in-state general obligation (GO) bonds for this project, which will be discussed in the capital budget analysis.

Ongoing Studies

- ***Pimlico Race Course and the Preakness Stakes:*** In March 2016, 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 entails 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. This has been completed and released. 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. A request from MSA for the second phase was received on February 9, 2018. The cost of the study is \$426,335, including \$66,335 from MSA. The committees are reviewing the request.
- ***State Center Development Options:*** In June 2017, the Secretary of General Services asked MSA to conduct an analysis of the development options for the State Center properties. Specifically, the analysis will include preliminary due diligence and general site data review, a cursory market evaluation, and summary findings. To achieve this goal, MSA will consider and include development priorities and limitations, survey data, land use plans, demographic and transportation data, case studies for between three and five similar projects, and a comparative analysis of various potential development options. Additionally, MSA's analysis must specifically consider the property as a potential site for a new major civic, sports, and

entertainment arena. MSA advises that the draft study is with the Department of General Services.

- ***Improvements to the Fair Hill Race Course:*** In June 2017, the Secretary of Natural Resources requested that MSA manage a study that would further examine potential improvements to the aging infrastructure and facilities at Fair Hill. Improvements would be designed to attract major equine and other recreational events, including a specific four-star equine event. The study will include early design work related to the improvements that were detailed in a fiscal 2015 study. The request also specifically mentions a pedestrian tunnel to promote safe accommodation of visitors. Although the request letter describes the proposal as “a master planning effort,” MSA advises that the study will include early design and engineering work based largely on the plans enumerated in the 2015 study. The fiscal 2018 capital budget bill includes \$100,000 in GO bond funds for capital improvements to the Fair Hill Race Course complex and the National Steeplechase Foundation Inc. has pledged \$250,000 toward the effort. These funds will also be dedicated to the MSA study. While these funds may be used for design costs, GO bond funds may not be used for master plan development. The study is expected to be completed in early calendar 2018.
- ***Crownsville Hospital Center Assessment of Development Options:*** In October 2017, the Acting Secretary of Health asked that MSA manage a study that assesses the Crownsville Hospital Center’s development options. This should consider whether any of the existing buildings have the potential for leasing, in whole or in part, to health care providers. It would also assess if demolition of the buildings would instead be the best course of action. Specifically, the scope of the analysis would include archaeological, environmental, and geotechnical analyses; a facility analysis; and a property survey. Currently, MSA and the Maryland Department of Health are negotiating the MOU, and the study has not yet begun.

2. Stadium Authority Response to a Request to Discuss Its Role in Economic Development

The fiscal 2016 *Joint Chairmen’s Report* (JCR) required that MSA and the Department of Commerce (Commerce) report on MSA’s role in statewide economic development. The JCR asked that the report discuss how MSA cooperates with the State’s economic development agencies and how MSA’s projects fit into the State’s economic development strategic plan. The report should also consider ways to improve collaboration. The report was submitted on November 30, 2017.

MSA’s Process and Role

Unlike Commerce or the Maryland Economic Development Corporation (MEDCO), MSA does not initiate economic development projects. Instead, MSA is asked in writing by the chief executive officer of a jurisdiction or agency to perform a market or economic study. This request must be approved by the MSA’s board and the chairs of the General Assembly’s budget committees for MSA to act on it. MSA retains the services of a third-party economic consultant to evaluate approved

requests. The economist’s report generally examines the market demand, direct and indirect spending, jobs, and fiscal impact to the State and local jurisdictions.

These reports can include a second phase in which MSA oversees site evaluations that include geotechnical, traffic, and topographical studies. MSA can also oversee design work and develop total project cost estimates. After comparing these costs to the economic and market studies, a cost benefit analysis can be prepared. When preparing these studies, MSA is reimbursed for overhead but it does not generate any additional revenues from this work. MSA advises that the agency does not have a profit incentive with this work.

MSA sees its role as an “agent, not a principal.” In the report, MSA stresses that it sees itself as an agency that provides thorough and independent analysis. MSA also provides construction management services and strives to have a “strong reputation for on-time and on-budget project delivery.” MSA is concerned that becoming more integrated in the State’s economic development decision making and having a more central role in “promoting the State’s economic development strategic plan” could compromise its reputation for independence. MSA also notes that it looks at projects on an individual basis and is not positioned to evaluate trade-offs and project desirability since it does not see the universe of alternatives.

Collaboration with Other State Agencies

While MSA sees itself as an agent instead of a principal, the report notes that MSA does collaborate with other State agencies. MSA advises that its staff conferred regularly with MEDCO on the Frederick Conference Center project. MSA can be viewed as one of a number of agencies, like MEDCO, that jurisdictions and agencies sometimes approach to determine what the best execution of a project might be. MSA is also working with Commerce, DHCD, the Baltimore Development Corporation, the Greater Baltimore Committee, and the Downtown Partnership to develop options for developing BCCC. In addition, MSA is working with Commerce and MDH to study the development potential of the Crownsville Hospital Center site.

MSA has also adopted the practice of briefing Commerce before the public release of a completed study. MSA and Commerce are also scheduling semi-annual meetings to update each other on relevant activities. MSA plans on making these meetings permanent to institutionalize this practice.

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 2017					
Legislative Appropriation	\$12,530	\$40,000	\$0	\$0	\$52,530
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-1,311	0	0	0	-1,311
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-1,995	0	0	0	-1,995
Actual Expenditures	\$9,224	\$40,000	\$0	\$0	\$49,224
Fiscal 2018					
Legislative Appropriation	\$11,219	\$40,000	\$0	\$8,224	\$59,443
Cost Containment	0	0	0	-350	-350
Budget Amendments	0	0	0	0	0
Working Appropriation	\$11,219	\$40,000	\$0	\$7,874	\$59,093

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

The fiscal 2017 legislative appropriation includes \$12.5 million in general funds and \$40.0 million in special funds. This general fund appropriation was reduced by \$1,311,000 in cost containment. This reduced the State's share of the operating deficit at the Baltimore City Convention Center (BCCC). The Maryland Stadium Authority also reverted \$1,825,053 in additional BCCC savings and another \$169,456 in the Ocean City Convention Center general fund savings as the operating deficits were less than expected.

Fiscal 2018

The fiscal 2018 legislative appropriation totals \$59.4 million. Cost containment reduced reimbursable funds by \$350,000, leaving \$59.1 million in the working appropriation.

Appendix 2
Audit Findings

Audit Period for Last Audit:	October 17, 2017 – June 30, 2016
Issue Date:	April 2017
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	n/a
Rating: (if applicable)	n/a

The audit did not disclose any findings.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Maryland Stadium Authority Financing Funds for Camden Yards Complex
Activities
Fiscal 2016-2019
(\$ in Thousands)

	Actual <u>2016</u>	Actual <u>2017</u>	Est. <u>2018</u>	Est. <u>2019</u>
Beginning Balance	\$14,958	\$15,132	\$13,470	\$5,609
Bond Proceeds	\$0	\$0	\$0	\$0
Lottery Proceeds	20,000	20,000	20,000	20,000
Subtotal Lottery/Bond	\$20,000	\$20,000	\$20,000	\$20,000
Other Revenues				
Miscellaneous Income	\$3,217	\$2,264	\$1,350	\$1,300
Parking	0			
Catering Events	539	539	500	350
Memorial Stadium Land Sale	0			
Admission Tax	9,177	12,704	10,250	11,250
Baseball Rent	8,453	8,544	8,000	8,000
Baseball Suite Amortization	630	590	600	570
Football Operations	9,765	10,691	11,000	11,330
Warehouse Lease	4,000	3,568	3,800	4,100
Construction Management Fee	106	136	0	0
Baltimore City	1,000	1,000	1,000	1,000
Subtotal Other Revenues	\$36,887	\$40,036	\$36,500	\$37,900
Total Funds Available	\$71,845	\$75,168	\$69,970	\$63,509
Uses				
MSA Administration	\$3,294	\$4,538	\$5,455	\$5,319
Camden Yards Operations	28,090	30,634	33,551	30,384
Subtotal MSA/Camden Operating	\$31,384	\$35,172	\$39,006	\$35,703
Equipment Leases				
Capital Improvement Funds for Oriole Park ¹	\$400	\$400	\$400	\$400
Baseball Suite Renovate	0	0	500	500
Subtotal MSA/Camden Operating and Capital	\$31,784	\$35,572	\$39,906	\$36,603
Debt Service and Financing	\$24,929	\$26,126	\$24,455	\$23,999
School Construction	0	0	0	0
Total Uses	\$56,713	\$61,698	\$64,361	\$60,602
Ending Balance	\$15,132	\$13,470	\$5,609	\$2,907

MSA: Maryland Stadium Authority

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 4
Object/Fund Difference Report
Maryland Stadium Authority

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	111.85	111.85	111.85	0.00	0%
02 Contractual	16.00	18.50	18.50	0.00	0%
Total Positions	127.85	130.35	130.35	0.00	0%
Objects					
01 Salaries and Wages	\$ 11,298,872	\$ 13,245,410	\$ 14,143,535	\$ 898,125	6.8%
02 Technical and Spec. Fees	605,635	653,515	573,075	-80,440	-12.3%
03 Communication	71,173	79,171	76,822	-2,349	-3.0%
04 Travel	109,688	85,442	168,767	83,325	97.5%
06 Fuel and Utilities	4,824,826	6,122,153	6,121,316	-837	0%
07 Motor Vehicles	16,310	149,820	54,320	-95,500	-63.7%
08 Contractual Services	185,837,628	260,674,636	266,794,121	6,119,485	2.3%
09 Supplies and Materials	630,729	978,200	796,200	-182,000	-18.6%
10 Equipment – Replacement	2,226	500,000	500,000	0	0%
11 Equipment – Additional	37,302	130,000	115,000	-15,000	-11.5%
12 Grants, Subsidies, and Contributions	31,130,752	32,481,768	33,110,052	628,284	1.9%
13 Fixed Charges	30,924,545	29,557,689	67,897,640	38,339,951	129.7%
Total Objects	\$ 265,489,686	\$ 344,657,804	\$ 390,350,848	\$ 45,693,044	13.3%
Funds					
01 General Fund	\$ 9,224,856	\$ 11,218,786	\$ 10,819,971	-\$ 398,815	-3.6%
03 Special Fund	40,000,000	40,000,000	40,000,000	0	0%
07 Nonbudgeted Fund	216,264,830	285,564,870	332,029,249	46,464,379	16.3%
09 Reimbursable Fund	0	7,874,148	7,501,628	-372,520	-4.7%
Total Funds	\$ 265,489,686	\$ 344,657,804	\$ 390,350,848	\$ 45,693,044	13.3%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 5
Fiscal Summary
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 0	0%
41 General Administration	3,874,186	4,112,349	4,706,744	594,395	14.5%
42 Camden Yards Financing Funds	6,790,094	6,495,563	5,522,886	-972,677	-15.0%
44 Facilities Management	31,033,716	31,830,889	31,510,015	-320,874	-1.0%
48 Baltimore Orioles Improvement Fund	125,000	125,000	200,000	75,000	60.0%
55 Baltimore Convention Center	4,952,499	6,692,678	6,344,537	-348,141	-5.2%
58 Ocean City Convention Center	1,321,874	1,577,090	1,527,176	-49,914	-3.2%
59 Montgomery County Conference Center	1,558,000	1,555,250	1,555,000	-250	0%
60 Hippodrome Performing Arts Center	1,831,333	1,833,768	1,833,258	-510	0%
63 Office of Sports Marketing	628,633	512,805	1,263,798	750,993	146.4%
66 Baltimore City PSC Financing Fund	20,806,485	20,805,750	59,996,667	39,190,917	188.4%
67 Baltimore City PSC Facilities Fund	169,206,079	241,242,514	248,739,139	7,496,625	3.1%
68 Baltimore City C.O.R.E.	3,361,787	7,874,148	7,151,628	-722,520	-9.2%
Total Expenditures	\$ 265,489,686	\$ 344,657,804	\$ 390,350,848	\$ 45,693,044	13.3%
General Fund	\$ 9,224,856	\$ 11,218,786	\$ 10,819,971	-\$ 398,815	-3.6%
Special Fund	40,000,000	40,000,000	40,000,000	0	0%
Nonbudgeted Fund	216,264,830	285,564,870	332,029,249	46,464,379	16.3%
Total Appropriations	\$ 265,489,686	\$ 336,783,656	\$ 382,849,220	\$ 46,065,564	13.7%
Reimbursable Fund	\$ 0	\$ 7,874,148	\$ 7,501,628	-\$ 372,520	-4.7%
Total Funds	\$ 265,489,686	\$ 344,657,804	\$ 390,350,848	\$ 45,693,044	13.3%

C.O.R.E.: Creating Opportunities for Renewal and Enterprise
PSC: Public Service Commission

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.