

D28A03
Maryland Stadium Authority

Operating Budget Data

(\$ in Thousands)

	FY 07	FY 08	FY 09	FY 08-09	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$12,700	\$13,814	\$14,136	\$322	2.3%
Special Fund	21,000	21,500	23,000	1,500	7.0%
Nonbudgeted Fund	<u>37,769</u>	<u>35,252</u>	<u>30,927</u>	<u>-4,325</u>	<u>-12.3%</u>
Total Funds	\$71,469	\$70,566	\$68,063	-\$2,503	-3.5%

- A fiscal 2008 deficiency would provide \$270,557 to cover the State's share of the Baltimore City Convention Center's fiscal 2007 operating deficit.
- Special funds increase \$1.5 million, reflecting increased Lottery proceeds applied toward debt service on Camden Yards Complex projects.
- Nonbudgeted funds are set to decrease \$4.3 million, primarily due to audio visual equipment purchased in fiscal 2008, unspent bond proceeds from the Montgomery County Conference Center, and lowered estimates for Orioles-related revenues.

Personnel Data

	FY 07	FY 08	FY 09	FY 08-09
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	94.80	94.80	94.80	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	94.80	94.80	94.80	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	0.00	0.00%
Positions Vacant as of 12/31/07	9.00	9.50%

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

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Analysis in Brief

Major Trends

Projects Completed on Time, on Budget; Construction Management Fees Continue: Since at least fiscal 2002, all projects have been completed on schedule and on budget. Construction management fees are expected to be higher than usual in fiscal 2008 primarily because of work related to the Coppin State University Physical Education Complex and the Southern Maryland Baseball Stadium. Management fees will drop off in fiscal 2009 with the opening of the baseball stadium.

Since 2001 Camden Yards Hosts Four to Eight Nonprofessional Events Annually; Catered Events Average about 228 Each Year: The revenues from all of these events are variable.

Issues

Maryland Stadium Authority Financing Fund: The Maryland Stadium Authority Financing Fund (MSAFF) has had a declining fund balance in recent years. The beginning fund balance has been decreasing steadily since fiscal 2005 and will be at its lowest in fiscal 2009. **The Department of Legislative Services (DLS) recommends the agency comment on the viability of the MSAFF, including the outlook for improving operational revenues and steps taken to address future repairs and equipment needs.**

Baltimore City Convention Center Deficit Obligation Expires in Fiscal 2008: Section 13.712.1 of the Financial Institutions Article stipulates that the State fund two-thirds of the Baltimore City Convention Center’s annual operating deficit through fiscal 2008. At issue is whether the State will want to continue, modify, or end the subsidies for the convention center. **DLS recommends the State continue its operating deficit support at a 50% cost share, contingent upon the enactment of legislation to modify or remove the current sunset date.**

Recommended Actions

	<u>Funds</u>
1. Reduce lottery proceeds.	\$ 1,692,000
2. Add budget bill language to make appropriation contingent upon legislation.	
3. Reduce State’s support of Baltimore City Convention Center’s operating deficit to 50 percent.	907,000
Total Reductions	\$ 2,599,000

Updates

Current and Recent Project Update: Projects include Camden Station, the Coppin State University Physical Education Complex, the Southern Maryland Baseball Stadium, and feasibility studies.

Audit of Personnel Management, Construction Procurement, and Internal Checks and Balances: The 2007 *Joint Chairmen's Report* requested from the Maryland Stadium Authority (MSA) a report in response to the February 2007 audit of MSA. The committees were concerned about several findings the Office of Legislative Audits had related to personnel management and construction procurement.

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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 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 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 construction of the Hippodrome Performing Arts Center in Baltimore.

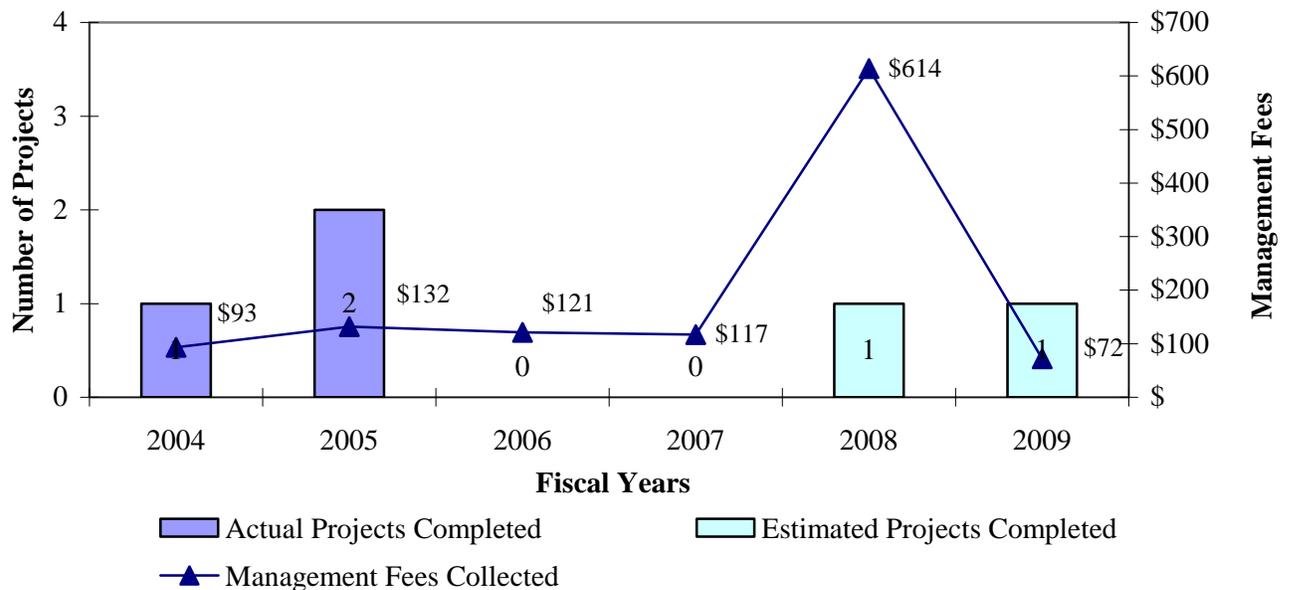
MSA may, in fact, manage any type of construction project for local governments and State agencies as authorized in the capital budget bill of 1998. The contracting agency must show that it can fund the project, and the budget committees have 30 days to review and comment on the proposed work. Furthermore, language in the capital budget bill of 2005 authorizes MSA to use up to \$500,000 annually of its nonbudgeted funds to conduct feasibility studies, approved by the budget committees.

Performance Analysis: Managing for Results

MSA's mission is to design, finance, and build high quality sports facilities, convention and conference centers, and arts/entertainment venues on time and on budget. Since at least fiscal 2002, all projects have been completed on schedule and on budget.

A specific MSA objective is to recover all expenses incurred on construction projects. To calculate the amount that MSA should be reimbursed, the authority determines the time that the project management team will spend on the project, multiplies it by employee salary and benefit rates, and adds 40% of the total for certain other staff and overhead costs. **Exhibit 1** shows the number of construction projects recently completed and the amount of management fees collected. Management fees are expected to increase in fiscal 2008 as MSA collects fees associated with the Coppin State University Physical Education Complex and the Southern Maryland Baseball Stadium, both of which are currently underway. Management fees will drop off in fiscal 2009 with the opening of the baseball stadium.

Exhibit 1
Construction Projects Completed and Management Fees Collected
Fiscal 2004-2009
(\$ in Thousands)



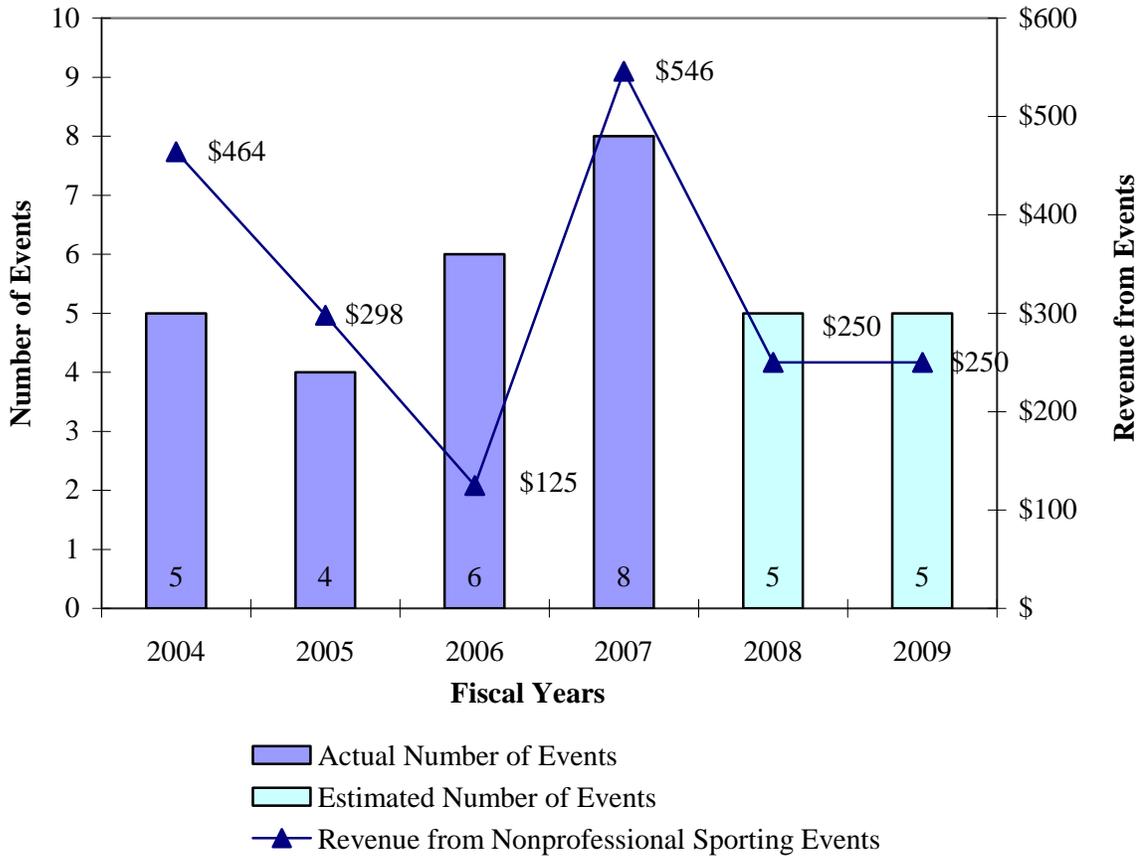
Note: The project scheduled for completion in fiscal 2008 is the Southern Maryland Baseball Stadium.
 The project scheduled for completion in fiscal 2009 is the Coppin State University Physical Education Complex.

Source: Maryland Stadium Authority

A major activity of MSA is to manage ongoing operations at the Camden Yards Sports Complex, which includes Oriole Park at Camden Yards, M&T Bank Stadium, the Warehouse at Camden Yards, Camden Station, and surrounding grounds and parking lots. MSA has an objective to increase the number of events besides professional sporting events at the Camden Yards Complex.

Exhibit 2 shows that between four and eight seating bowl events have been held each year since fiscal 2004. Revenues from seating bowl events have been variable. Fiscal 2007 revenues were particularly high as a result of a tournament, sports tour, band competition, and several football events including the Navy/Notre Dame game. Five events for fiscal 2008 have already been scheduled. **Exhibit 3** shows that the number of catered events has steadily increased each year since fiscal 2004, averaging about 225, but as with seating bowl events, revenues have been variable. Catered events are catered by concessionaires, and MSA receives a commission.

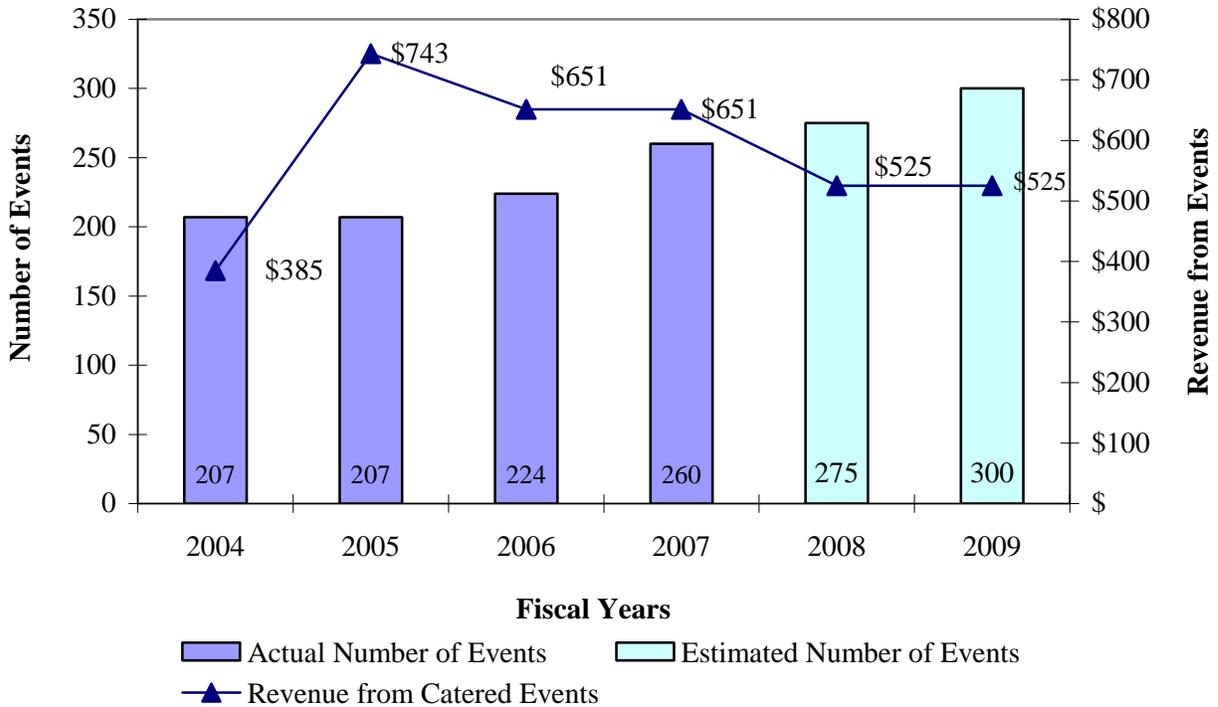
**Exhibit 2
Nonprofessional Sporting Events
Fiscal 2004-2009
(\$ in Thousands)**



Note: Nonprofessional sporting events include seating bowl events, not catered events. Fiscal 2008 estimates include the number of events booked as of fall 2007.

Source: Maryland Stadium Authority

**Exhibit 3
Catered Events
Fiscal 2004-2009
(\$ in Thousands)**



Note: Catered events are held on the club level of Ravens Stadium or Oriole Park or the banquet facilities in the Camden Warehouse; events are catered by concessionaires, and the Maryland Stadium Authority receives a commission.

Source: Maryland Stadium Authority

MSA has employed efforts to increase the number of nonprofessional sporting events and catered events that may generate significant revenue. In September 2004, MSA authorized the creation of the Camden Yards Sports and Entertainment Commission to actively seek additional events such as concerts, international soccer, other college football games, the return of the NCAA Lacrosse Finals, the ACC football championship game, and others. MSA is also working closely with ARAMARK (a caterer) to actively promote the venues for banquets and other social events.

Fiscal 2008 Actions

Proposed Deficiency

A fiscal 2008 deficiency would provide \$270,557 to cover the State's share of the BCCC fiscal 2007 operating deficit.

Impact of Cost Containment

The fiscal 2008 working appropriation includes a \$1.0 million general fund reduction for cost containment efforts. To accommodate this reduction, MSA identified \$1.0 million in unspent bond proceeds from the Montgomery County Conference Center (MCCC) project, which was applied toward debt service payments.

Governor's Proposed Budget

Major changes to MSA's activities for fiscal 2008 are shown in **Exhibit 4**. MSA's activities are supported by a combination of general, special, and nonbudgeted funds. The total allowance for fiscal 2009 is \$68.1 million, a 3.5% decrease from the 2008 working appropriation. The MSA budget, by fund source and program, is shown in **Exhibit 5**.

Special Funds Increase \$1.5 Million

Lottery proceeds support debt service payments on MSA projects at the Camden Yards Complex. The fiscal 2009 allowance is \$23.0 million, a \$1.5 million increase over 2008. Debt service payments budgeted for fiscal 2009 do not increase by the same amount, so the remaining funds will be applied toward MSA operating costs. This revenue is discussed in more detail in Issue 1.

General Funds Increase; Nonbudgeted Funds Decrease

The allowance for general funds is \$14.1 million, a \$322,000 increase from the 2008 working appropriation, primarily due to debt service on the MCCC project. The allowance for nonbudgeted funds is \$30.9 million, a \$4.3 million decrease from the 2008 working appropriation. Several factors contributed to these changes.

Exhibit 4
Governor’s Proposed Budget
Maryland Stadium Authority
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Nonbudgeted Fund	Total
2008 Working Appropriation	\$13,814	\$21,500	\$35,252	\$70,566
2009 Governor’s Allowance	<u>14,136</u>	<u>23,000</u>	<u>30,927</u>	<u>68,063</u>
Amount Change	\$322	\$1,500	-\$4,325	-\$2,503
Percent Change	2.3%	7.0%	-12.3%	-3.5%

Where It Goes:

General Funds

Montgomery County Conference Center debt service.....	\$650
Hippodrome Performing Arts Center	10
Baltimore City Convention Center debt service and operating support	-237
Ocean City Convention Center debt service and operating support	-101

Special Funds

Lottery proceeds that are applied to debt service on Camden Yards Complex projects.....	1,500
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Nonbudgeted Funds

Facilities management	413
Property insurance premiums for Camden Yards.....	179
Audio/visual equipment.....	-2,000
Montgomery County Conference Center unspent bond proceeds	-1,196
Baseball game revenues.....	-1,085
Construction and building improvements.....	-522
Legal services	-150
Other	36

Total	-\$2,503
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Note: Numbers may not sum to total due to rounding.

Exhibit 5
Maryland Stadium Authority Budget Summary by Fund Source
Fiscal 2005-2009
(\$ in Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Working Appropriation 2008</u>	<u>Allowance 2009</u>	<u>Change 2007-08</u>
General Funds						
Baltimore Convention Center – debt service and State operating deficit contribution	\$9,080	\$8,674	\$7,118	\$9,216	\$8,979	-\$237
Ocean City Convention Center – debt service and State operating deficit contribution	2,657	2,762	2,948	2,950	2,848	-\$101
Montgomery County Conference Center – State portion of construction costs	1,126	1,610	1,754	759	1,409	\$650
Hippodrome Performing Arts Center – State portion of construction costs	890	880	880	890	900	\$10
Subtotal General Funds	\$13,753	\$13,926	\$12,700	\$13,814	\$14,136	\$322
Special Funds						
Lottery transfer to the MSSAF for debt service on Camden Yards projects						
Subtotal	\$21,235	\$20,500	\$21,000	\$21,500	\$23,000	\$1,500
Nonbudgeted Funds						
Maryland Stadium Authority general administration	2,441	3,236	3,416	3,586	3,421	-\$164
Camden Yards capital programs – construction, debt service, and other debt costs not funded by Lottery revenues	31,347	5,508	5,331	4,923	2,400	-\$2,523
Facilities management for entire Camden Yards Complex	18,090	19,422	27,805	23,796	23,364	-\$432
Facilities management for Oriole Park improvements per Orioles lease	1,021	437	315	500	500	-
Montgomery County Conference Center – County contribution and bond proceeds	11,812	1,035	0	1,550	354	-\$1,196
Hippodrome Performing Arts Center – ticket surcharge and other revenues	1,207	900	902	898	889	-\$10
Subtotal Nonbudgeted Funds	\$65,918	\$30,537	\$37,769	\$35,252	\$30,927	-\$4,325
Grand Total	\$100,905	\$64,963	\$71,469	\$70,566	\$68,063	-\$2,503

MSAFF: Maryland Stadium Authority Facilities Fund

Source: Governor's Budget Books, Fiscal 2005-2009

- **Montgomery County Conference Center Unspent Bond Proceeds:** The fiscal 2009 allowance for general funds is \$650,000 greater than the fiscal 2008 working appropriation. This is to restore funds for debt service that were offset in 2008 by unspent bond proceeds.

The fiscal 2009 allowance for nonbudgeted funds is \$1.2 million less than the fiscal 2008 working appropriation. This is a reduction of \$550,000 for signage installation taking place in fiscal 2008 that is not scheduled for fiscal 2009. An additional \$646,000 reduction to budgeted funds reflects unspent bond proceeds that were identified in fiscal 2008 but will not be available in fiscal 2009.

- **Continued State Support of Baltimore City Convention Center Operating Deficit:** Section 13-712.1 of the Financial Institutions Article required MSA to contribute two-thirds of the BCCC annual operating deficit through fiscal 2008. The fiscal 2009 allowance includes \$3.9 million in general funds to continue this support. This is a \$236,000 decrease from the 2008 working appropriation; however, the allowance should be contingent upon enactment of legislation to continue the State's subsidy of the BCCC's annual operating deficit. This expense is discussed further in Issue 2.
- **Baseball Revenues:** MSA collects revenues associated with operations at Camden Yards. Revenues generated by baseball games include admission fees and parking. Therefore, these revenues are variable, determined largely by attendance at Oriole Park. The fiscal 2009 allowance includes a \$1.1 million reduction to nonbudgeted funds to adjust for an anticipated drop in baseball game attendance.
- **MSA and Orioles Reach Agreement on Audio/Visual Equipment:** In September 2007, MSA reached an agreement with the Baltimore Orioles to replace audio/visual boards at Oriole Park. The equipment was purchased in fiscal 2008. The fiscal 2009 allowance comes in \$2.0 million below the fiscal 2008 working appropriation because no additional equipment will be purchased in fiscal 2009 related to the legal settlement.

Issues

1. Maryland Stadium Authority Financing Fund

The Maryland Stadium Authority Financing Fund (MSAFF) is a nonbudgeted account from which all MSA's operational expenses are paid, including general administration of the Camden Yards Complex, repairs, renovations, debt service payments, and school construction. The fund is primarily supported through Lottery and bond proceeds but collects additional revenues associated with rent from the Orioles, operations and maintenance reimbursement from the Ravens, lease agreements at the Warehouse and Camden Station, and stadium admission taxes.

In fiscal 2007, actual revenues and expenses were higher than originally estimated. Bond proceeds and other obligations came in over budget by roughly \$74.0 million each as shown in **Exhibit 6**. However, this is due to proceeds and debt service associated with the refunding of bonds. Other revenues were enhanced by an additional \$1.9 million in football admission taxes and operations reimbursement. Finally, Camden Yards operations expenses came in \$923,000 over budget. The ending fund balance as of June 30, 2007, was \$2.7 million.

Exhibit 6
Maryland Stadium Authority Financing Fund
Fiscal 2007 Estimated and Actual Budget

	<u>2007</u> <u>Estimated</u>	<u>2007</u> <u>Actual</u>	<u>Difference</u>
Opening Balance	\$7,232	\$7,231	-\$1
Lottery and Bond Proceeds	21,000	94,600	73,600
Other Revenues	29,383	31,312	1,929
Total Funds Available	\$57,615	\$133,143	\$75,528
Maryland Stadium Authority Administration	3,513	3,415	-98
Camden Yards Operations	26,049	26,972	923
Camden Yards Capital	900	833	-67
Other Obligations	24,600	99,192	74,592
Total Uses	\$55,062	\$130,412	\$75,350
Closing Balance	\$2,553	\$2,731	\$178

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

Source: Maryland Stadium Authority

Financial Outlook

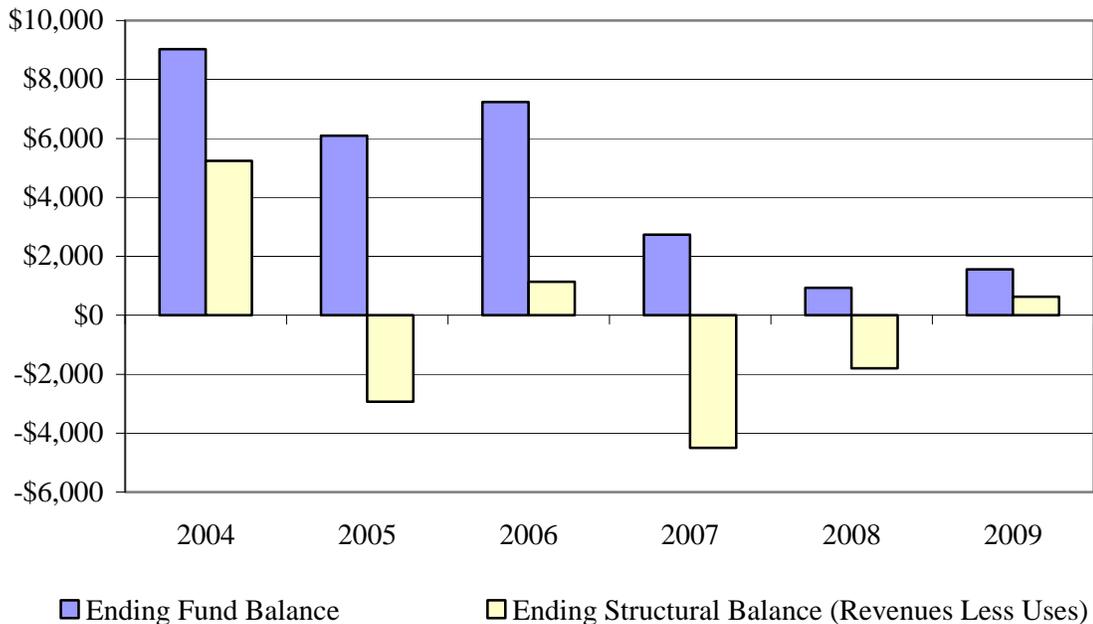
In fiscal 2008, estimated total funds available (\$61.6 million) are set to slightly exceed total uses (\$60.7 million), as shown in **Exhibit 7**. However, included in the estimated total funds available is a beginning fund balance of \$2.7 million, and without this amount, revenues alone (\$58.9 million) do not cover total uses. Therefore, the fund will draw on reserves to maintain operations, which reflects a structural imbalance of \$1.8 million. In fiscal 2009, MSA expects to partially rectify the imbalance by reducing expenditures; however, the beginning fund balance for fiscal 2009 is estimated at only \$928,000. The beginning fund balance has been decreasing steadily since fiscal 2005 and will be at its lowest in fiscal 2009.

MSA may directly enhance MSAFF nonbudgeted revenues by increasing seating bowl and catering events, negotiating favorable Warehouse and Camden Station leases, boosting stadium revenue, and pursuing construction management fees. The cash flow detail provided in **Appendix 4** presents detail on MSAFF fiscal 2006 through 2009 revenues and expenditures.

Factors

- **Lottery Proceeds:** MSA expects to pay \$22.0 million for debt service in fiscal 2009; \$667,000 of that amount is for debt service on the Camden Station project, which is paid for with Camden Station revenues. This leaves \$21.3 million of debt service for other projects, which is covered through an annual allowance from the Lottery. The fiscal 2009 allowance includes \$23.0 million in Lottery proceeds for this purpose. This is \$1.7 million more than the debt service MSA intends to pay, and these excess funds will support MSA operational expenses and contribute to the MSAFF balance.
- **Camden Station Debt Service Payments:** In fiscal 2003, MSA was authorized to issue \$8.73 million in 20-year taxable revenue bonds to finance the renovation of Camden Station, an historic building next to Oriole Park. The development plan indicated that payment of the annual debt service would come from commercial leases at the Warehouse and Camden Station as well as parking revenues. In March 2005, MSA entered into an agreement to amend its lease with one of its Camden Station tenants, the Sports Legend Museum (SLM). In light of SLM's financial difficulties, several changes were made to the lease, including debt forgiveness of all outstanding amounts owed to MSA in the amount of \$444,274, reduced basic rent of \$123,600 annually, down from \$386,510 annually, scaled annual payments to MSA based on a percentage of SLM's adjusted revenues, and reduced lease terms.
- **Feasibility Studies:** MSA is currently authorized to spend up to \$500,000 per year of the MSAFF to conduct feasibility studies throughout the State. The agency is also authorized to design and construct facilities for State agencies or local governments. Feasibility studies do not necessarily result in MSA projects, and in those instances, there is no measurable return on investment in the original study. MSA spent \$165,000 on feasibility studies in fiscal 2007 and is estimated to expend \$155,000 for this purpose in fiscal 2008.

Exhibit 7
Maryland Stadium Authority Financing Fund
For Camden Yards Complex Activities
Fiscal 2004-2009
(\$ in Thousands)



	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>	<u>Est.</u> <u>2008</u>	<u>Est.</u> <u>2009</u>
Beginning Fund Balance	\$3,782	\$9,024	\$6,092	\$7,231	\$2,731	\$928
Revenues from Camden Yards bond proceeds, Camden Yards operating activities, and the State Lottery	57,798	49,137	49,073	125,912	58,899	51,157
Total Funds Available	\$61,580	\$58,161	\$55,165	\$133,143	\$61,630	\$52,085
Total Uses	\$52,556	\$52,069	\$47,933	\$130,412	\$60,702	\$50,532
Ending Fund Balance	\$9,024	\$6,092	\$7,232	\$2,731	\$928	\$1,553
Ending Structural Balance (Revenues Less Uses)	\$5,242	-\$2,932	\$1,140	-\$4,500	-\$1,803	\$625

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

Source: Maryland Stadium Authority

- **Rent Payment:** MSA is required to pay rent to the State equal to the difference between its actual revenues and budgeted expenses. The rent formula is built into the sublease agreements for M&T Bank Stadium, Oriole Park, Camden Station and the Warehouse, BCCC, and OCCC. The facility subleases calculate rent as actual revenues less budget estimates or actuals for specific categories of expenditures. The convention centers always have operated at a deficit so no rent is due on these subleases. Therefore, activity at Camden Yards generates the State rent payment, if any. MSA has not budgeted a rent payment for fiscal 2008 or 2009, and with declining baseball revenues and ongoing operational expenses, a rent payment is unexpected.
- **Repairs and Enhancements:** Repairs are above and beyond normal operations, and therefore, are not currently budgeted in the MSAFF cash flow projections. Nonetheless, the MSAFF does finance repairs throughout Camden Yards as needed, with the exception of Ravens Stadium which is paid for by the team. The need to repair the Camden Yards facilities and replace equipment becomes increasingly inevitable as the structures age.
- **Equipment Leases:** In September 2007, MSA reached an agreement with the Baltimore Orioles to replace audio/visual boards at Oriole Park. The \$9.0 million purchase is a collaborative effort between the two parties, with \$5.25 million coming from the parity improvements fund. The remaining \$3.75 million will be funded by MSA, of which \$3.5 million will be supported through the State's Master Equipment Lease program. These purchases will impact the forecast for fiscal 2008. The Board of Public Works recently approved a contract for the equipment, which is expected to be in place for opening day.
- **School Construction:** Chapter 327 of 1996 directs the MSA to contribute \$2.4 million annually to the Public School Construction Fund beginning in fiscal 2001. The inability of MSA revenues to cover even operational expenses suggests that the required contribution is simply being diverted from the lottery proceeds which would otherwise go to the general fund and be available for any State expenditure, including school construction. **The legislature may wish to consider relieving MSA of its obligation to contribute to school construction.**

The Department of Legislative Services (DLS) recommends reducing special funds by \$1,692,000. The remaining \$21.3 million would be sufficient to cover debt service payments on properties other than Camden Station. DLS also recommends the agency comment on the viability of the MSAFF, including the outlook for improving operational revenues and steps taken to address future repairs and equipment needs.

2. Baltimore City Convention Center Deficit Obligation Expires in Fiscal 2008

Section 13.712.1 of the Financial Institutions Article stipulates that the State fund two-thirds of BCCC's annual operating deficit through fiscal 2008. At issue is whether the State will want to continue, modify, or end the subsidies for the convention center. The fiscal 2009 allowance includes \$3.9 million to continue the subsidy at two-thirds of the BCCC's projected operating deficit. Data on the operating deficit is shown in **Exhibit 8**.

Exhibit 8
Baltimore City Convention Center Operating Deficit
Fiscal 2004-2009
(\$ in Thousands)

	2004	2005	2006	2007	2008	2009
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>
Revenues	\$9,304	\$11,140	\$10,718	\$10,318	\$11,428	\$11,601
Operating Expenses	14,851	14,123	14,798	15,307	18,067	17,664
Operating Deficit	-5,547	-2,983	-4,080	-4,989	-6,639	-6,063
State's Share (two-thirds)	-3,698	-1,989	-2,720	-3,326	-4,426	-4,042
Budgeted by MSA	1,987	2,891	3,590	3,300	4,175	3,938
State Payment Over/Under Deficit	-\$1,711	\$902	\$870	-\$26	-\$251	-\$104

Source: Maryland Stadium Authority

Task Force Recommendations Focused on Convention Business

The issue of BCCC's State subsidy was explored by an MSA task force, and recommendations were issued in February 2005. The task force recommended that State support should continue if certain changes were made, including shifting marketing resources at the Baltimore Area Convention and Visitors Association from the leisure industry to convention business. Another recommendation was to use \$500,000 annually from Baltimore City's hotel room tax revenues to provide incentives to meeting planners.

The task force considered but rejected the idea of recommending a higher hotel room tax rate because it would raise the cost of rooms and Baltimore already had, at that time, the third highest average room rate among its competitor cities. Boston had the highest room rate among competing cities, followed by Washington, DC. Other cities in the group include Atlanta, Charlotte, Nashville, Orlando, Philadelphia, and Pittsburgh. All of these cities, except Baltimore and Boston, have a hotel or other tourism tax that funds convention center operations.

Economic Impact of Events

Convention business at BCCC picked up from fiscal 2006 to 2007. Fiscal 2006 had 275 events booked, and while fiscal 2007 had only 166 events booked, it essentially drew the same amount of people. The number of people drawn is of greater interest than the number of events because of the impact those people may have on hotel bookings.

MSA recently studied the economic impact of BCCC events. The initial findings estimate that fiscal 2007 events alone generated \$730.0 million in business sales, more than \$30 million in State taxes, including \$22.6 million in sales tax revenue and \$7.9 million in income taxes, and supported 8,800 Maryland jobs.

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Options for the General Assembly include the following:

- Discontinue State operating support. This would allow for a \$3.9 million general fund reduction.
- Pass legislation continuing support for the operating deficit at the current level. The 2009 allowance satisfies this option.
- Pass legislation requiring the State to continue to support the operating deficit at an alternative level. For example, if the State supports the BCCC's operating deficit at 50 percent as with OCCC, the State's contribution would be lowered to \$3.0 million in fiscal 2009. This would result in a \$907,000 general fund reduction.
- Require that an alternative funding source be identified, such as a hotel, restaurant, or tourism tax in lieu of general funds.

DLS recommends the State continue its operating deficit support at a 50 percent cost share, contingent upon the enactment of legislation to modify or remove the current sunset date. This level of subsidy would be consistent with the support provided to the OCCC.

Recommended Actions

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 1. Reduce lottery proceeds. Lottery funds in the amount of \$21,308,000 are sufficient, when combined with other Maryland Stadium Authority revenues, to cover debt service payments on properties other than Camden Station. | \$ 1,692,000 | SF |
| 2. Add the following language to the general fund appropriation: | | |
| <p><u>. provided that \$3,031,400 of this appropriation is contingent upon enactment of legislation to continue a State contribution of 50 percent of the Baltimore City Convention Center’s operating deficit.</u></p> | | |

Explanation: The State’s obligation to support the Baltimore City Convention Center’s operating deficit expires in fiscal 2008. This language would make the appropriation contingent upon legislation to modify the terms of the State’s obligation.

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 3. Reduce the Baltimore City Convention Center funds. The current appropriation provides funds to support the operating deficit at two-thirds. This recommendation would reduce the State’s support of the operating deficit to 50 percent. | 907,000 | GF |
| Total Reductions | \$ 2,599,000 | |
| Total General Fund Reductions | \$ 907,000 | |
| Total Special Fund Reductions | \$ 1,692,000 | |

Updates

1. Current and Recent Project Update

Coppin State University Physical Education Complex

MSA is managing the design and construction of several new facilities for Coppin State University. Together they comprise the new Physical Education Complex, a \$109 million construction project totaling 247,000 square feet. The project includes classrooms, laboratories, dance studios, an indoor arena, pool, outdoor track and soccer field, tennis court, softball field, central utility plant, facilities management and public safety building, and parking. Construction broke ground in fiscal 2007, and the project is scheduled to be completed in fiscal 2009.

Southern Maryland Baseball Stadium

MSA received approval to serve as construction manager for a new minor league baseball stadium in Waldorf (Charles County). The stadium will have 4,600 seats and 16 skyboxes and is projected to cost \$24 million. Design work has been completed, and construction began in the summer of 2007. The project is expected to take one year to complete. The county seeks one-third of the construction cost from the State, with another one-third to be county funded, and the final one-third to be privately funded.

Feasibility Studies

In fiscal 2007, MSA released a study examining whether it would be better to renovate the facility known as 1st Mariner Arena or construct a new facility. MSA also completed a study for a Motor Sports Facility in Allegany County.

MSA released two feasibility studies in fiscal 2008. The first examined the proposed National Sailing Hall of Fame in Annapolis (Anne Arundel County), with an estimated cost of \$9 million to improve the site, or \$15 million to build a new facility. The second explored the possibility of a multi-purpose sports facility for the Montgomery County Department of Economic Development. Two more studies to be released later in fiscal 2008 or possibly fiscal 2009 are for a stadium in Prince George's County, primarily for use by the DC United soccer team, and the expansion of OCCC.

2. Audit of Personnel Management, Construction Procurement, and Internal Checks and Balances

The 2007 *Joint Chairmen's Report* requested from MSA a report in response to the February 2007 audit. The committees were concerned about several findings the Office of Legislative Audits had related to personnel management and construction procurement.

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MSA provided copies of the job descriptions for the Executive Director and General Counsel and a copy of the form developed by the MSA board to evaluate those positions. Also provided by MSA, was a copy of the supplement to the MSA Procurement Policies and Procedures as it relates to Construction Manager at Risk contracts, approved by the board in June 2007.

In November 2007, the MSA board adopted a resolution that allows the chairman of the board, with MSA board approval, to authorize severance payments on a case-by-case basis.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$13,648	\$21,000	\$0	\$0	\$34,648
Deficiency Appropriation	241	0	0	0	241
Budget Amendments	-995	0	0	0	-995
Reversions and Cancellations	-193	0	0	0	-193
Actual Expenditures	\$12,701	\$21,000	\$0	\$0	\$33,701
Fiscal 2008					
Legislative Appropriation	\$14,814	\$21,500	\$0	\$0	\$36,314
Cost Containment	-1,000	0	0	0	-1,000
Budget Amendments	0	0	0	0	0
Working Appropriation	\$13,814	\$21,500	\$0	\$0	\$35,314

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

Fiscal 2007

MSA finished fiscal 2007 at \$193,000 below its original legislative appropriation. MSA received a \$241,000 deficiency for arbitrage payments due on OCCC bonds; however, only \$145,000 was required, and \$95,000 was reverted to the general fund. Budget amendments reflect a \$995,000 decrease to support the cost containment initiative. An additional \$98,000 reversion reflected the State's share of the convention center's operating deficit coming in under budget.

Fiscal 2008

The MSA fiscal 2008 working appropriation is \$1.0 million less than the legislative appropriation. General funds were reduced by \$1.0 million to support the cost containment initiative. MSA was able to accommodate this reduction through unspent bond proceeds from the MCCC project.

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	94.80	94.80	94.80	0	0%
Total Positions	94.80	94.80	94.80	0	0%
Objects					
01 Salaries and Wages	\$ 6,307,281	\$ 7,064,330	\$ 7,090,928	\$ 26,598	0.4%
02 Technical and Spec. Fees	688,209	656,604	661,604	5,000	0.8%
03 Communication	127,290	125,000	132,906	7,906	6.3%
04 Travel	45,455	36,367	36,367	0	0%
06 Fuel and Utilities	12,445,996	6,843,172	7,233,082	389,910	5.7%
07 Motor Vehicles	29,342	53,245	77,687	24,442	45.9%
08 Contractual Services	10,783,005	14,302,206	10,496,907	-3,805,299	-26.6%
09 Supplies and Materials	734,041	903,907	928,459	24,552	2.7%
10 Equip. – Replacement	442,650	500,000	500,000	0	0%
11 Equip. – Additional	83,291	126,157	126,986	829	0.7%
12 Grants, Subsidies, and Contributions	25,667,495	27,092,111	28,254,111	1,162,000	4.3%
13 Fixed Charges	10,183,421	9,940,382	10,124,254	183,872	1.8%
14 Land and Structures	3,931,490	2,922,524	2,400,000	-522,524	-17.9%
Total Objects	\$ 71,468,966	\$ 70,566,005	\$ 68,063,291	-\$ 2,502,714	-3.5%
Funds					
01 General Fund	\$ 12,699,689	\$ 13,813,776	\$ 14,135,980	\$ 322,204	2.3%
03 Special Fund	21,000,000	21,500,000	23,000,000	1,500,000	7.0%
07 Non-budgeted Fund	37,769,277	35,252,229	30,927,311	-4,324,918	-12.3%
Total Funds	\$ 71,468,966	\$ 70,566,005	\$ 68,063,291	-\$ 2,502,714	-3.5%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 21,000,000	\$ 21,500,000	\$ 23,000,000	\$ 1,500,000	7.0%
41 General Administration	3,415,644	3,585,513	3,421,193	-164,320	-4.6%
42 Capital Programs – Baseball/Football Pre-construction	5,331,490	4,922,524	2,400,000	-2,522,524	-51.2%
44 Facilities Management	27,804,520	23,795,819	23,363,799	-432,020	-1.8%
48 Facilities Management	315,250	500,000	500,000	0	0%
55 Baltimore Convention Center	7,117,657	9,215,696	8,979,096	-236,600	-2.6%
58 Ocean City Convention Center	2,947,937	2,949,530	2,848,130	-101,400	-3.4%
59 Montgomery County Conference Center	1,754,095	2,308,550	1,762,300	-546,250	-23.7%
60 Hippodrome Performing Arts Center – Capital Appropriation	1,782,373	1,788,373	1,788,773	400	0%
Total Expenditures	\$ 71,468,966	\$ 70,566,005	\$ 68,063,291	-\$ 2,502,714	-3.5%
General Fund	\$ 12,699,689	\$ 13,813,776	\$ 14,135,980	\$ 322,204	2.3%
Special Fund	21,000,000	21,500,000	23,000,000	1,500,000	7.0%
Nonbudgeted Fund	37,769,277	35,252,229	30,927,311	-4,324,918	-12.3%
Total Appropriations	\$ 71,468,966	\$ 70,566,005	\$ 68,063,291	-\$ 2,502,714	-3.5%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Maryland Stadium Authority Financing Fund
for Camden Yards Complex Activities
Fiscal 2006-2009
(\$ in Thousands)**

	Actual	Actual	Est.	Est.
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Beginning Balance	\$6,092	\$7,231	\$2,731	\$928
Bond Proceeds (2007 Football Refunding)	0	73,600	0	0
Master Equip. Lease Financing for Audio/Visual Equip.	0	0	3,750	0
Baltimore Orioles Supplemental Improvement Fund	0	0	5,250	0
Lottery Proceeds	20,500	21,000	21,500	23,000
Net Bond Proceeds from Camden Yards Projects	0	0	0	0
Subtotal Lottery/Bond	\$20,500	\$94,600	\$30,500	\$23,000
Other Revenues				
Misc. Income	510	968	400	400
Catering Events	651	651	525	525
Baseball Admission Tax	4,623	3,745	3,500	3,500
Baseball Rent	7,125	5,994	6,000	6,000
Baseball Suite Amortization	644	623	645	628
Football Admission Tax	3,481	5,140	4,750	4,750
Football Operations	6,845	9,082	6,697	7,014
Seating Bowl Events	138	545	250	250
Warehouse Lease	3,434	3,447	4,018	4,018
Construction Management Fee	122	117	614	72
Ravens Payment	0	0	0	0
City of Baltimore	1,000	1,000	1,000	1,000
Subtotal Other Revenues	\$28,573	\$31,312	\$28,399	\$28,157
Total Funds Available	\$55,165	\$133,143	\$61,630	\$52,085
Uses				
Maryland Stadium Authority Administration	2,506	3,415	3,482	3,318
Camden Yards Operations	19,000	26,972	22,896	21,939
Subtotal Maryland Stadium Authority/Camden Operating	\$21,506	\$30,387	\$26,378	\$25,257
Capital Imp. Funds for Oriole Park*	400	400	400	400
Audio/Visual Equipment		0	9,000	0
Camden Station Development	1,026	0	0	0
Baseball Suite Renovate	288	433	500	500
Baseball Stadium Major Repairs	0	0	0	0
Subtotal Maryland Stadium Authority/Camden Operating and Capital	\$23,220	\$31,220	\$36,278	\$26,157
Debt Service and Financing	22,313	95,392	22,024	21,975
School Construction	2,400	2,400	2,400	2,400
State Rent Payment	0	1,400	0	0
Total Uses	\$47,933	\$130,412	\$60,702	\$50,532
Ending Balance	\$7,232	\$2,731	\$928	\$1,553

*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.

Source: Maryland Stadium Authority