

D28A03
Maryland Stadium Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$17,440	\$14,707	\$15,092	\$385	2.6%
Adjusted General Fund	\$17,440	\$14,707	\$15,092	\$385	2.6%
Special Fund	20,000	20,000	19,265	-735	-3.7%
Adjusted Special Fund	\$20,000	\$20,000	\$19,265	-\$735	-3.7%
Nonbudgeted Fund	41,444	54,155	33,142	-21,013	-38.8%
Adjusted Nonbudgeted Fund	\$41,444	\$54,155	\$33,142	-\$21,013	-38.8%
Adjusted Grand Total	\$78,884	\$88,862	\$67,499	-\$21,363	-24.0%

- The fiscal 2013 allowance includes a fiscal 2011 general fund deficiency of approximately \$2 million to cover the State's share of the operating deficits of the Baltimore City Convention Center and the Ocean City Convention Center. Additionally, the allowance includes a general fund deficiency of \$372,862 for debt service related to the Hippodrome Performing Arts Center.
- The fiscal 2013 general fund allowance increases by \$385,000 over the prior year appropriation to address a shortfall in revenues associated with the Hippodrome Performing Arts Center. Conversely, special funds derived from lottery proceeds decline in the allowance by \$735,000.
- The fiscal 2013 allowance shows a significant decline in nonbudgeted funds due to the completion of extensive renovations to the Camden Yards Sports Complex.

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

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Personnel Data

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Positions	94.90	94.80	92.90	-1.90
Contractual FTEs	<u>40.00</u>	<u>40.00</u>	<u>40.00</u>	<u>0.00</u>
Total Personnel	134.90	134.80	132.90	-1.90

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/11	15.00	15.82%

- The Maryland Stadium Authority (MSA) is eliminating 1.9 vacant regular positions in fiscal 2013 for cost containment purposes. Personnel expenses are entirely funded through nonbudgeted resources of MSA.

Analysis in Brief

Major Trends

Management Fees Return to Normal Level: MSA is charged with facilitating the construction of various projects across the State. MSA is paid management fees for this service. After a high mark in fiscal 2009, fees earned by the authority have returned to a more typical level.

Seating Bowl Events Continue as Reliable Revenue Source: Large scale seating bowl events held in the Camden Yards stadiums continue to serve as a consistent source of supplemental revenue for MSA. However, MSA forecasts a more conservative estimate of revenues in the out-years.

Issues

Report on the Funding Shortfall at the Hippodrome Performing Arts Center: Almost since its opening, ticket sales for the Hippodrome Performing Arts Center have failed to meet projections. A surcharge on those tickets was meant to cover about half of the debt service on the bonds sold to fund construction. General funds and MSA nonbudgeted funds have filled the gap. The 2011 *Joint Chairmen's Report* included narrative that requested a plan from MSA to address the ticket shortfall. **The Department of Legislative Services (DLS) recommends that MSA brief the budget committees on its plan for a long-term solution that addresses the revenue shortfall, including any confirmed commitments for assistance by local governments or community organizations. Also, DLS recommends the adoption of committee narrative asking MSA to report on refinancing the bonds and how much principal would be required to make the expenses manageable.**

Baltimore Grand Prix Falls Short of Expectations: Baltimore City hosted the Baltimore Grand Prix over the Labor Day weekend in calendar 2011. The event fell far short of the original projections for economic impact. Further, event organizers have failed to reimburse or delayed reimbursement to several creditors, including MSA. **DLS recommends that MSA comment on its role in the development of the Grand Prix race, the prospects for the race's future, and the likelihood that it will recover its costs.**

Recommended Actions

1. Adopt committee narrative requesting that the Maryland Stadium Authority submit a report on the potential refinancing of the Hippodrome Performing Arts Center.

Updates

Bond Refinancing for Camden Yards Sports Complex: In December 2011, MSA successfully refunded variable rate bonds from 1998 and 1999 and reissued fixed rate debt in order to realize debt service savings and to reduce risk in its portfolio.

Project Updates: The statute authorizes the authority to assist State agencies and local governments in managing construction projects or conducting feasibility studies. Several studies are recently completed or are still ongoing, such as the Washington Redskins training facility and the Maryland Horse Park.

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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 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.

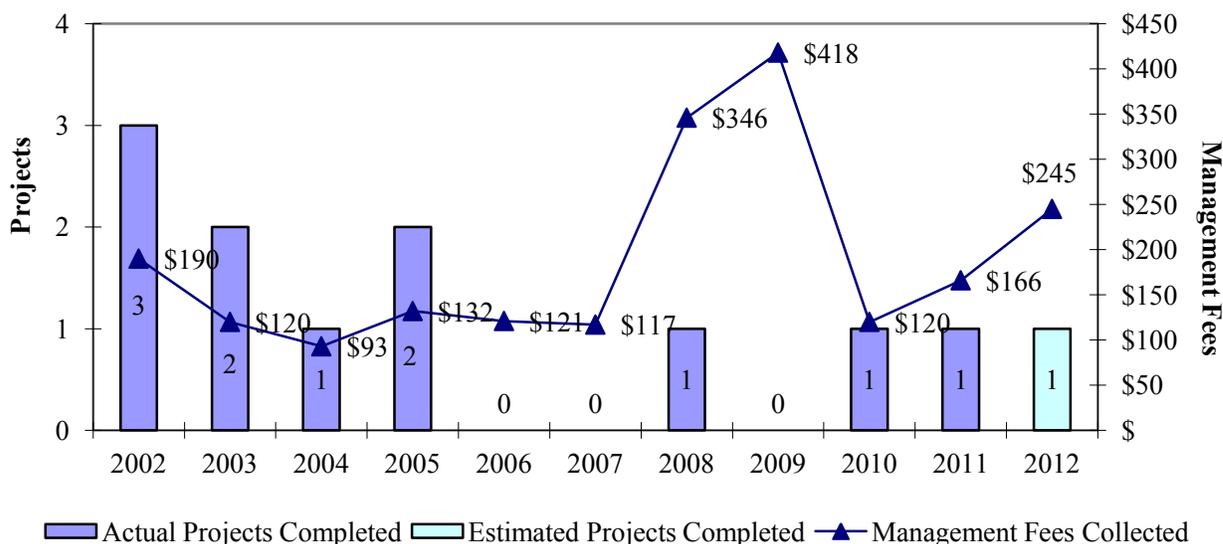
MSA may, in fact, manage any type of construction project for local governments and State agencies. The contracting agency must show that it may fund the project, and the budget committees have 30 days to review and comment on the proposed work. Furthermore, the statute authorizes MSA to use up to \$500,000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

Performance Analysis: Managing for Results

Management Fees Return to Normal Level

MSA is charged with facilitating the construction of various projects across the State and is paid management fees for this service. The authority strives to complete these projects within the prescribed timeframes and budgets. **Exhibit 1** shows that the number of projects for which MSA is responsible has been in decline. Management fees have, however, remained fairly constant, except for fiscal 2008 and 2009. Those fees were associated with the completion of the Coppin State University Physical Education Complex that opened in February 2010. Fees have since returned to a more typical level. It should be noted that each project shown in the exhibit has been completed on time and within budget.

Exhibit 1
Construction Projects Completed and Management Fees Collected
Fiscal 2002-2012
(\$ in Thousands)



Note: The project completed in fiscal 2008 is the Southern Maryland Baseball Stadium. The project completed in fiscal 2010 is the Coppin State University Physical Education Complex.

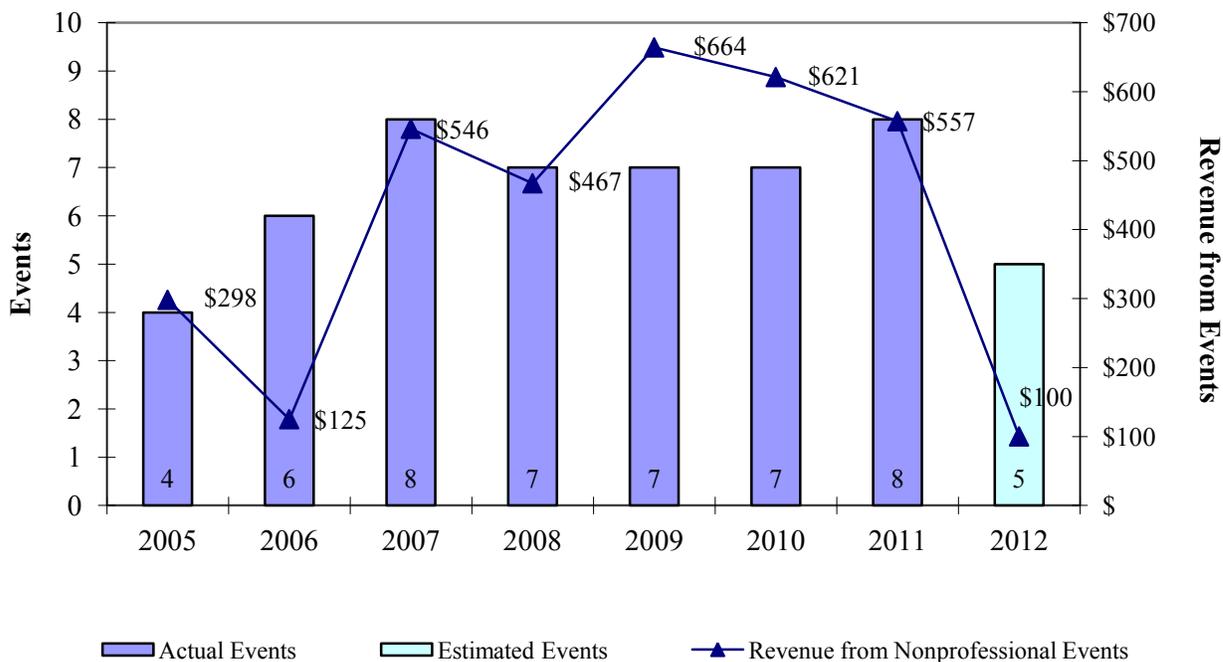
Source: Maryland Stadium Authority

The project completed in fiscal 2011 is the pit row project that MSA undertook for Baltimore City and a private racing developer for the benefit of the inaugural Baltimore Grand Prix. This issue is discussed in further detail under the Issues section of this analysis.

Seating Bowl Events Continue as Reliable Revenue Source

Nonprofessional sporting events and other seating bowl events are also held at the Camden Yards Complex in order to supplement revenues. **Exhibit 2** shows that between four and eight seating bowl events have been held each year since fiscal 2005. The authority was able to attract high profile events to the complex in fiscal 2011. Such events include the Maryland/Navy football game, a U2 concert, the National Collegiate Athletic Association lacrosse finals, and local high school football championships.

**Exhibit 2
Nonprofessional Sporting Events
Fiscal 2005-2012
(\$ in Thousands)**



Note: Nonprofessional sporting events include seating bowl events, not catered events.

Source: Maryland Stadium Authority

It should be noted, however, that MSA has revised its estimates for fiscal 2012 and beyond. As shown in the exhibit, it is assuming a more conservative estimate of revenue from seating bowl events.

Fiscal 2012 Actions

Proposed Deficiency

A fiscal 2012 deficiency provides \$1,929,478 in general funds to cover the State’s share of the BCCC fiscal 2011 operating deficit. By statute, MSA contributes two-thirds of the center’s operating deficit annually. Similarly, the fiscal 2013 allowance includes a fiscal 2012 general fund deficiency

of \$45,651 to cover the State's share of the OCCC 2011 operating deficit. By statute, MSA annually contributes one-half of the center's operating deficits.

Additionally, a fiscal 2012 general fund deficiency is included in the allowance to fund an additional portion of the debt service for the Hippodrome Performing Arts Center. A surcharge on ticket sales, used to mitigate debt service costs for the State, did not meet projections. The Hippodrome and its ticket surcharge shortfall is discussed in greater detail under the Issues section of this analysis.

Proposed Budget

MSA's activities are supported by a combination of general, special, and nonbudgeted funds. **Exhibit 3** shows that the fiscal 2013 allowance is \$67.5 million, a decrease of approximately \$21.4 million, or 38.8%. The decline is almost solely attributable to the change in nonbudgeted funds based on the schedule of capital improvements at the Camden Yards facility. MSA's budget by fund source and program is showed in **Exhibit 4**.

General Funds Increase but Continue to Be Underfunded

General funds comprise the smallest component of MSA budget and are used to supplement debt service and operating 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 toward the annual operating deficit of the BCCC through December 31, 2014. The fiscal 2013 general fund allowance for MSA's contribution to the BCCC operating deficit is \$3,863,400, representing no increase from the prior year's legislative appropriation. However, as mentioned above, the allowance includes a deficiency appropriation for fiscal 2012 for the operating deficit obligation. In fact, there has been a deficiency appropriation for this purpose in five of the last six fiscal years. It is estimated that the fiscal 2013 allowance is underfunded by approximately \$1.1 million.

Debt service costs for the authority's revenue bonds issued for the BCCC construction accounts for \$5,061,006. The allowance also provides \$200,000 for MSA's statutorily required contribution to a BCCC 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 the OCCC. The allowance provides \$1,362,742 for this purpose, a slight decrease from the prior year's original appropriation. Again, however, the allowance includes a fiscal 2012 deficiency for the operating deficit. A deficiency has been required in five of the last six years. And again, the fiscal 2013 allowance appears to be underfunded by about \$94,000.

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Nonbudgeted Fund</u>	<u>Total</u>
2012 Working Appropriation	\$14,707	\$20,000	\$54,155	\$88,862
2013 Allowance	<u>15,092</u>	<u>19,265</u>	<u>33,142</u>	<u>67,499</u>
Amount Change	\$385	-\$735	-\$21,013	-\$21,363
Percent Change	2.6%	-3.7%	-38.8%	-24.0%
 Contingent Reductions	 \$0	 \$0	 \$0	 \$0
Adjusted Change	\$385	-\$735	-\$21,013	-\$21,363
Adjusted Percent Change	2.6%	-3.7%	-38.8%	-24.0%

Where It Goes:

General Funds

Debt service for the Ocean City Convention Center.....	\$1
Debt service for Montgomery County Conference Center	5
State share of debt service for the Hippodrome Performing Arts Center	380

Special Funds

Lottery proceeds.....	-735
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Nonbudgeted Funds

MSA administration, partly due to eliminated positions.....	-140
Capital expenditures.....	-19,094
Energy loan repayment	984
Improvement fund projects	-3,000
MSA contribution to the Hippodrome operating expenses	236

Total	-\$21,363
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MSA: Maryland Stadium Authority

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

Exhibit 4
Maryland Stadium Authority Budget Summary by Fund Source
Fiscal 2009-2013
(\$ in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Working Approp. 2012</u>	<u>Allowance 2013</u>	<u>Change 2012-13</u>
General Funds						
Baltimore Convention Center – debt service and State operating deficit contribution	\$8,979	\$9,758	\$9,124	\$9,124	\$9,124	\$0
Ocean City Convention Center – debt service and State operating deficit contribution	3,042	3,096	2,820	2,819	2,820	1
Montgomery County Conference Center – State portion of construction costs	1,309	1,641	1,762	1,763	1,768	5
Hippodrome Performing Arts Center – State portion of construction costs	900	1,000	1,000	1,000	1,380	380
Subtotal General Funds	\$14,230	\$15,495	\$14,706	\$14,706	\$15,092	\$386
Special Funds						
Lottery transfer to the Maryland Stadium Authority Facilities (MSA) Fund for debt service on Camden Yards projects						
Subtotal Special Funds	\$20,000	\$19,600	\$20,000	\$20,000	\$19,265	-\$735
Nonbudgeted Funds						
MSA general administration	\$2,957	\$3,253	\$3,115	\$3,511	\$3,371	-\$140
Camden Yards capital programs – construction, debt service, and other debt costs not funded by lottery revenues	2,642	19,341	12,223	24,972	5,878	-19,094
Facilities management for entire Camden Yards Sports Complex	23,182	24,583	24,160	22,232	23,216	984
Facilities management for Oriole Park improvements per Orioles lease	2,401	1,101	1,515	3,000	0	-3,000
Montgomery County Conference Center – County contribution and bond proceeds	886	121	0	0	0	0
Hippodrome Performing Arts Center – ticket surcharge and other revenues	889	356	428	440	676	236
Subtotal Nonbudgeted Funds	\$32,957	\$48,755	\$41,442	\$54,155	\$33,142	-\$21,013
Grand Total	\$67,187	\$83,849	\$76,148	\$88,861	\$67,499	-\$21,363

Note: Fiscal 2012 does not include deficiency appropriation.

Source: Governor's Budget Books, Fiscal 2008-2013

Debt service costs for the authority's revenue bonds issued for the OCCC construction accounts for \$1,406,763, a slight decrease from the prior year. The allowance also provides an additional \$50,000 for MSA's statutorily required contribution to the OCCC capital improvement fund.

- ***Hippodrome Performing Arts Center:*** The allowance provides \$1.4 million in general funds and \$676,240 in nonbudgeted funds to fund the fiscal 2013 debt service for MSA revenue bonds sold to fund a portion of the Hippodrome construction. To offset MSA's obligation to the debt service, statute requires the operator of the facility to pay to MSA an amount equal to \$2 per ticket sold for admission to the theater. A fiscal 2012 general fund deficiency has been included in the allowance because the ticket surcharge did not meet expectations. This issue is discussed further under the Issues section of this analysis.
- ***Montgomery County Conference Center:*** The fiscal 2012 allowance provides \$1.8 million in general funds for the debt service costs for the authority's revenue bonds.

Special Funds Decline

Lottery proceeds support debt service payments on the Camden Yards Complex. The fiscal 2013 allowance includes \$19.3 million in special funds for this purpose, a decline of \$735,000. As has been the case in recent years, the lottery proceeds do not completely cover the cost of debt service. MSA expects to pay \$25.5 million in total debt service in fiscal 2013. Of this amount, approximately \$751,000 is for debt service on Camden Station; \$979,000 is for energy projects; and \$915,000 is for equipment lease financing. MSA will contribute nonbudgeted funds for the remaining debt service.

Maryland Stadium Authority Financing Fund (Nonbudgeted Funds)

MSA Financing Fund is a nonbudgeted account from which all MSA's operational expenses are paid, including general administration of the Camden Yards Complex, repairs, renovations, and debt service payments. The fund is primarily supported through lottery and bond proceeds but includes additional revenue 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.

As shown in Exhibit 4, nonbudgeted funds decrease by over \$21 million in the fiscal 2013 allowance. Oriole Park at Camden Yards and the renovated B&O warehouse have been in use for close to 20 years and, as such, are in need of some repairs and renovations. The allowance declines as the final renovations to the seating bowl and renovations to the warehouse were budgeted in fiscal 2012. The renovations included:

- replacement of the roof on the warehouse and Camden Station;
- vertical resurfacing of the warehouse façade;

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- replacement of a faulty escalator in Oriole Park;
- replacement of the fire alarm system in the warehouse; and
- various Americans with Disabilities Act improvements.

These capital improvements are funded by the issuance of taxable revenue bonds secured by lottery proceeds. The first phase of financing for the renovations (\$10.0 million) went before the Board of Public Works (BPW) in March 2010. The second phase of financing (\$11.0 million) was issued in August 2011. MSA's Financing Fund (nonbudgeted) will be charged with the debt service on these bonds. Debt service associated with the capital improvements totals \$1.3 million in fiscal 2013.

Nonbudgeted funds also decrease in fiscal 2013 due to the final payment to the Oriole improvement fund in fiscal 2012. To maintain parity in the leases between the baseball and football stadiums, MSA contributed \$10 million over 10 years to the fund for various improvements at Oriole Park. The final payment occurred in fiscal 2012 (\$3 million). The fiscal 2012 improvements include a complete renovation of the picnic area and improvements to the out-of-town scoreboard.

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, the BCCC, and the OCCC. The facility subleases calculate rent as actual revenues, less budget estimates or actual costs, for specific categories of expenditures. The convention centers have always 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 2013. It should be noted that notwithstanding capital expenses, the authority's operating revenues and lottery proceeds do appear to cover its operating expenses.

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

Issues

1. Report on the Funding Shortfall at the Hippodrome Performing Arts Center

Chapter 379 of 1999 and Chapter 185 of 2000 authorized MSA's involvement in the redevelopment of the Hippodrome Performing Arts Center and created a mechanism for funding that redevelopment including the issuance of MSA bonds. MSA oversaw the design and construction of the renovated Hippodrome, working with representatives of the Baltimore Center for the Performing Arts and the theater operator. The Hippodrome project was considered to be the catalyst for the renewal of 18 blocks associated with Baltimore's Westside.

The statute requires MSA to enter into an agreement with the theater operator where the operator agrees to pay a \$2 surcharge on each ticket sold to offset the annual debt service. There is no statutory requirement that the surcharge cover any particular amount of the debt service. However, based on original projections of tickets sales, the surcharge was to generate between \$810,000 and \$900,000, roughly half of the annual debt service each year for the life of the bonds (fiscal 2016).

Almost from its opening, the Hippodrome has attracted fewer patrons than were originally projected. A number of factors may have contributed to this underperformance including a sluggish economy and the slow redevelopment of Baltimore's Westside. Further, higher than expected operating costs (specifically utility costs) has led to difficulties in attracting some arts and entertainment groups. MSA has been obligated to pay the shortfall from the ticket surcharge with its own financing fund and in fiscal 2012 using general funds.

The 2011 *Joint Chairmen's Report* included committee narrative that requested MSA to devise and submit a plan for a long-term solution to the funding shortfall. The narrative included a request that additional State financial contributions be kept to a minimum. On November 30, 2011, MSA submitted its plan to the budget committees. MSA met with the operators of the facility, local government officials, and other interested parties and each has agreed to the following solutions:

- MSA pays utility costs of \$250,000 per year;
- operator agrees to an annual ticket surcharge guarantee of \$440,000;
- operator will pay an additional \$0.25 per ticket for every ticket sold in excess of 350,000;
- operator will extend the theater operating agreement for an additional five years;
- MSA will refinance and potentially extend bonds by five years to reduce annual debt service payments;

- Hippodrome Foundation will contribute \$500,000; and
- Baltimore City will dedicate a staff person to Westside development.

The fiscal 2013 allowance includes a general fund deficiency of \$372,862 for the shortfall in fiscal 2012. Also, the fiscal 2013 budget includes \$1,380,398 in general funds, \$440,000 in ticket revenue, and \$236,240 in MSA's nonbudgeted funds. It is not clear from this agreement how long the State will be obligated to provide additional general funds.

The Department of Legislative Services (DLS) recommends that MSA brief the budget committees on its plan for a long-term solution that addresses the revenue shortfall including any confirmed commitments for assistance by local governments or community organizations. Also, DLS recommends the adoption of committee narrative asking MSA to report on refinancing the bonds and how much principal would be required to make the expenses manageable.

2. Baltimore Grand Prix Falls Short of Expectations

Baltimore City hosted an Indy Racing League event, the Baltimore Grand Prix, over the Labor Day holiday in calendar 2011. It was generally expected to be an economic boon to the city as the three-day event would draw overnight and out-of-town tourists. Specifically, race organizers estimated an economic impact of \$70 million. However, actual economic benefits have fallen far short of the expectations. Further, the race organizer, Baltimore Racing Development, has failed to pay creditors related to the race, including MSA.

MSA was one of several entities that provided services to facilitate the race. Specifically, MSA enhanced parts of the Camden Yards Sports Complex to accommodate part of the race course. The alterations accommodated a pit row along the warehouse and included enhancements of traffic circles and a widening of Lee Street. The project also included environmental and aesthetic improvements to the eastern gateway of the project. The race developer was to reimburse MSA for the costs of the renovation as well as pay a management fee. The developer experienced difficulties in making timely payments. MSA has since restructured the payment schedule and approximately \$1.0 million of payments have been made on the \$2.1 million project. The developer owes an additional \$54,000 for the rental of MSA's parking lot and various outdoor spaces for the race's staging area.

The developer's financial difficulties are not limited to the debt it owes to MSA. In November 2011, the Comptroller's Office filed a lien against the organizers for \$487,971 in unpaid sales taxes and admissions and amusement taxes. Further, the Maryland Economic Development Corporation loaned the company \$500,000 in the hopes that the event would attract a title sponsor. Also, Baltimore City is owed for services such as police and firefighter assistance during the event. The city has recently terminated that contract with the developer that would have guaranteed the return of the race festival for the next four years.

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Two studies have recently been published on the economic impact of the race event. Both confirm that the event did have a positive economic impact on the city; however, the magnitude of the impact varied greatly. The study commissioned by Baltimore City concluded that the race had a direct and indirect impact of \$47 million. However, an independent study conducted by professors from the University of Maryland Baltimore County and the University of Maryland, College Park, showed much smaller impacts (between \$10 million and \$15 million).

Currently, the future of another grand prix race in Baltimore is undecided. Given the costs to Baltimore City, MSA as well as other entities, and the risks in not being repaid, it is unclear if subsequent races would be advisable. This is especially true in light of the lower than expected economic benefits.

DLS recommends that MSA comment on its role in the development of the Grand Prix race, the prospects for the race's future, and the likelihood that it will recover its costs.

Recommended Actions

1. Adopt the following narrative:

Refinancing of the Hippodrome Performing Arts Center: In November 2011, the Maryland Stadium Authority (MSA) submitted a report on ways to mitigate the funding shortfall at the Hippodrome Performing Arts Center. The report indicated that MSA will investigate the refinancing and potentially the extension of bonds in order to reduce debt service and other expenses. The budget committees request that MSA report on the potential benefits and costs to this refinancing. The report should include a discussion of how much additional one-time funding would be required to lower the principal in order to make the debt service and other expenses manageable given the current cash flow of the facility. The authority shall submit its report to the budget committees, including any proposed legislation, by November 1, 2012.

Information Request	Author	Due Date
Report on refinancing debt for the Hippodrome Performing Arts Center	MSA	November 1, 2012

Updates

1. Bond Refinancing for Camden Yards Sports Complex

In September 2011, MSA forwarded to the Legislative Policy Committee (LPC) and the fiscal committees of the General Assembly, a 2011 Amendment to the Comprehensive Plan of Financing for the Camden Yards Sports Complex. The Amended Plan of Financing supports MSA's request for approval to undertake the refunding of MSA Series 1998A Taxable Sports Facilities Lease Revenue Refunding Bonds (Series 1998A Bonds) and MSA Series 1999 Sports Facilities Lease Revenue Refunding Bonds (Series 1999 Bonds).

With the proposed transactions, MSA would issue fixed-rate bonds to refund all outstanding variable rate Series 1998A and 1999 Bonds. The total amount of MSA's indebtedness for sports facilities at Camden Yards is projected to be \$214.4 million as of closing these transactions, which remains within the \$235.0 million debt limit set forth in Section 10-628 of the Economic Development Article.

On October 25, 2011, DLS provided the LPC and fiscal committees with its analysis of this proposed transaction. Based on market conditions at the time of the analysis, the transaction was expected to result in slight savings, which totaled \$353,000. Significantly, the transaction ends a swap agreement with the American International Group and annuls the variable-rate bonds. This reduces various risks to MSA that could increase the out-year cost of the variable-rate bonds. DLS recommended approval, and the LPC and fiscal committees approved the bond sale.

The bonds were successfully sold on December 14, 2011, and the transaction was closed on December 21, 2011. Public Financial Management, Inc., MSA's financial advisor, estimates that the bond sale reduced out-year debt service costs by \$1.7 million, which exceeded the initial estimate. The transaction has also reduced risk in MSA's portfolio.

2. Project Updates

The 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 government 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 add to no more than \$500,000 annually of MSA's nonbudgeted funds.

Current Projects

- **OCCC:** In December 2007, Ocean City asked MSA to conduct a feasibility study for another expansion of its convention center. The feasibility study was released in December 2008. The study recommended a moderate expansion and remodeling to the convention center to modernize audio-visual and technical amenities, provide more function space to accommodate multiple events, and increase prime exhibit space. The study estimated the incremental economic impact to be between \$3.8 million and \$4.6 million annually in total spending at the State level, of which approximately \$3.2 million to \$3.9 million is estimated to occur in Ocean City.

In the fiscal 2011 capital budget bill, the General Assembly added \$4.3 million in general obligation funding to finance the State's share of the convention center expansion. State funds are matched with \$4.1 million from Ocean City. In May 2010, MSA presented the contract for pre-construction services for the expansion to BPW. In August 2010, the Ocean City Council approved plans for the expansion, including its portion of the funding. A groundbreaking took place in August 2011.

Recently Released Studies

- **Wicomico County Youth and Civic Center:** In January 2012, the Stadium Authority released a study on Wicomico County's aging Youth and Civic Center in Salisbury. The market analysis evaluated the existing facility, its uses, and economic and financial feasibility comparisons and options for renovating, expanding, and/or building a new facility. The study concluded that the most economically feasible option is to upgrade the existing center. Some of the recommendations include replacing seats and redesigning the seating bowl, adding a mechanical curtain system, building a divisible ballroom, and improving traffic and parking arrangements.
- **Baltimore City Soccer Stadiums:** In December 2010, the Stadium Authority released a feasibility study on two potential soccer stadiums in Baltimore City. The \$100,000 study, funded by Baltimore City, considered the market for a Major League Soccer stadium in Westport for the DC United franchise. The study also evaluated prospects for a medium-sized facility in the Camden Carroll Industrial Park. The study determined that a 25,000-seat major league soccer stadium in Westport could generate up to 940 new jobs and \$2.8 million in city tax revenue when the entire mixed use complex was complete. The study also recommended that the smaller stadium would likely be more successful in a suburban location where youth fields could be built around it rather than in a downtown industrial park.
- **Baltimore City Circuit Court Complex:** In May 2011, MSA released a feasibility study for the modernization and possible expansion of the Baltimore City Circuit Court complex. This study addresses programmatic and functional concerns in the historic Clarence Mitchell Courthouse and the nearby post office building which serves as an annex. The estimated project cost to renovate the two existing court facilities and construct the new criminal

courthouse ranges from \$570.0 million to \$602.0 million. The study concludes that the renovation and construction will provide more efficient facility operations with potential savings of more than \$6.1 million per year. Further, the development of rental office space in Courthouse East would likely attract law firms. This rental strategy has the potential to generate annual revenues of approximately \$1.67 million.

Ongoing Studies

Several studies requested by local governments in various stages of completion should be made available in early 2012, including:

- **BCCC Expansion and Hotel:** MSA and Baltimore City are sharing the costs of a market and economic study of an expanded convention center, a new arena, and a new hotel in Baltimore. The study will include a discussion of incremental tax benefits for all three venues and a funding strategy. A release date is imminent. The fiscal 2013 capital budget includes \$2.5 million for the preliminary design of the facility.
- **Washington Redskins Training Facility:** MSA and Prince George's County are sharing the costs of a study to review the feasibility of a new Washington Redskins training facility, if relocated to the county.
- **Troy Park Tennis Complex:** MSA and Howard County are sharing the costs of a market study of the Troy Park Tennis Complex to be located in Elkridge.
- **Maryland Horse Park:** Finally, MSA is currently undertaking a study that will update findings from a previous study on the feasibility of a Maryland Horse Park and Agricultural Education Center. The study is at the request of the Maryland Department of Agriculture.

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 2011					
Legislative Appropriation	\$14,706	\$20,000	\$0	\$0	\$34,706
Deficiency Appropriation	2,736	0	0	0	2,736
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-3	0	0	0	-3
Actual Expenditures	\$17,440	\$20,000	\$0	\$0	\$37,440
Fiscal 2012					
Legislative Appropriation	\$14,707	\$20,000	\$0	\$0	\$34,707
Budget Amendments	0	0	0	0	0
Working Appropriation	\$14,707	\$20,000	\$0	\$0	\$34,707

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

Fiscal 2011

The original appropriation was increased by a deficiency that provided \$2,153,572 in general funds to cover the State's share of the BCCC fiscal 2010 operating deficit. By statute, MSA contributes two-thirds of the center's operating deficit annually. Similarly, there was a general fund deficiency of \$146,754 to cover the State's share of the OCCC 2010 operating deficit. By statute, MSA annually contributes one-half of the center's operating deficits. Additionally, a fiscal 2011 general fund deficiency increased the original appropriation to fund an additional portion of the debt service for the Hippodrome Performing Arts Center. A surcharge on ticket sales, used to mitigate debt service costs for the State, did not meet projections.

**Maryland Stadium Authority Financing Fund
For Camden Yards Complex Activities
Fiscal 2009-2013
(\$ in Thousands)**

	<u>Actual 2009</u>	<u>Actual 2010</u>	<u>Actual 2011</u>	<u>Est. 2012</u>	<u>Est. 2013</u>
Beginning Balance	\$5,382	\$7,515	\$13,474	\$6,538	\$4,676
Bond Proceeds	0	10,000	1,002	122,061	0
Master Equip Lease Financing for Audio/Visual Equip.	0	4,000	0	0	0
Master Energy Program		9,314	0	0	0
Lottery Proceeds	20,000	19,600	20,000	20,000	19,265
Subtotal Lottery/Bond	\$20,000	\$42,914	\$21,002	\$142,061	\$19,265
Other Revenues					
Misc. Income	\$1,371	\$509	\$1,609	\$1,125	\$1,544
Catering Events	560	571	596	250	375
Admission Tax	8,887	8,146	9,499	8,400	8,700
Baseball Rent	6,238	5,598	5,612	5,900	6,250
Baseball Suite Amortization	581	506	702	668	668
Football Operations	7,258	8,616	7,868	7,810	8,044
Seating Bowl Events	663	621	557	100	250
Warehouse Lease	3,937	4,134	3,952	3,716	3,827
Construction Management Fee	418	120	166	245	100
Baltimore City	1,000	1,000	1,000	1,000	1,000
Subtotal Other Revenues	\$30,913	\$29,821	\$31,561	\$29,214	\$30,758
Total Funds Available	\$56,295	\$80,250	\$66,037	\$177,813	\$54,699
Uses					
Maryland Stadium Authority (MSA) Administration	\$2,957	\$3,253	\$3,115	\$3,511	\$3,356
Camden Yards Operations	21,841	23,933	23,596	21,582	21,344
Subtotal MSA/Camden Operating	\$24,798	\$27,186	\$26,711	\$25,093	\$24,700
Capital Imp. Funds for Oriole Park*	\$400	\$400	\$400	\$400	\$400
Audio/Visual Equipment	1,095	2,977	-298	0	0
Energy Projects	0	6,519	2,478	0	0
Baseball Suite Renovate	638	460	377	500	500
Baseball Stadium Capital Projects	0	5,100	4,237	20,000	0
Pit Lane Improvements	0	0	1,913	0	0
Subtotal MSA/Camden Operating and Capital	\$26,931	\$42,642	\$35,818	\$45,993	\$25,600
Debt Service and Financing	\$21,849	\$22,134	\$23,681	\$127,144	\$25,528
School Construction	0	0	0	0	0
State Rent Payment	0	2,000	0	0	0
Total Uses	\$48,780	\$66,776	\$59,499	\$173,137	\$51,128
Ending Balance	\$7,515	\$13,474	\$6,538	\$4,676	\$3,571

* These are revenues deposited into the account and originated 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

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	94.90	94.80	92.90	-1.90	-2.0%
02 Contractual	40.00	40.00	40.00	0.00	0%
Total Positions	134.90	134.80	132.90	-1.90	-1.4%
Objects					
01 Salaries and Wages	\$ 6,959,701	\$ 7,708,856	\$ 7,777,924	\$ 69,068	0.9%
02 Technical and Spec. Fees	489,051	398,354	398,354	0	0%
03 Communication	84,609	98,826	104,563	5,737	5.8%
04 Travel	16,818	45,000	34,900	-10,100	-22.4%
06 Fuel and Utilities	3,220,158	3,681,524	4,831,128	1,149,604	31.2%
07 Motor Vehicles	52,997	38,900	54,096	15,196	39.1%
08 Contractual Services	24,409,653	35,345,923	11,744,237	-23,601,686	-66.8%
09 Supplies and Materials	1,444,512	965,526	1,044,550	79,024	8.2%
10 Equipment – Replacement	376,997	500,000	500,000	0	0%
11 Equipment – Additional	256,633	148,600	123,745	-24,855	-16.7%
12 Grants, Subsidies, and Contributions	27,612,648	25,225,744	24,491,142	-734,602	-2.9%
13 Fixed Charges	10,066,611	9,732,615	10,516,305	783,690	8.1%
14 Land and Structures	3,893,506	4,972,000	5,878,000	906,000	18.2%
Total Objects	\$ 78,883,894	\$ 88,861,868	\$ 67,498,944	-\$ 21,362,924	-24.0%
Funds					
01 General Fund	\$ 17,439,512	\$ 14,706,849	\$ 15,092,072	\$ 385,223	2.6%
03 Special Fund	20,000,000	20,000,000	19,265,000	-735,000	-3.7%
07 Nonbudgeted Fund	41,444,382	54,155,019	33,141,872	-21,013,147	-38.8%
Total Funds	\$ 78,883,894	\$ 88,861,868	\$ 67,498,944	-\$ 21,362,924	-24.0%

Note: The fiscal 2012 appropriation does not include deficiencies.

**Fiscal Summary
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 20,000,000	\$ 20,000,000	\$ 19,265,000	-\$ 735,000	-3.7%
41 General Administration	3,115,478	3,511,285	3,371,184	-140,101	-4.0%
42 Capital Programs – Baseball/Football Pre-construction	12,222,943	24,972,000	5,878,000	-19,094,000	-76.5%
44 Facilities Management	24,160,232	22,231,734	23,216,448	984,714	4.4%
48 Facilities Management	1,514,658	3,000,000	0	-3,000,000	-100.0%
55 Baltimore Convention Center	11,277,978	9,124,406	9,124,406	0	0%
58 Ocean City Convention Center	2,966,259	2,819,505	2,819,505	0	0%
59 Montgomery County Conference Center	1,762,300	1,762,938	1,767,763	4,825	0.3%
60 Hippodrome Performing Arts Center	1,864,046	1,440,000	2,056,638	616,638	42.8%
Total Expenditures	\$ 78,883,894	\$ 88,861,868	\$ 67,498,944	-\$ 21,362,924	-24.0%
General Fund	\$ 17,439,512	\$ 14,706,849	\$ 15,092,072	\$ 385,223	2.6%
Special Fund	20,000,000	20,000,000	19,265,000	-735,000	-3.7%
Nonbudgeted Fund	41,444,382	54,155,019	33,141,872	-21,013,147	-38.8%
Total Appropriations	\$ 78,883,894	\$ 88,861,868	\$ 67,498,944	-\$ 21,362,924	-24.0%

Note: The fiscal 2012 appropriation does not include deficiencies.