

D28A03
Maryland Stadium Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$14,891	\$14,746	\$12,427	-\$2,319	-15.7%
Deficiencies and Reductions	0	2,091	-252	-2,343	
Adjusted General Fund	\$14,891	\$16,837	\$12,175	-\$4,662	-27.7%
Special Fund	20,000	20,000	40,000	20,000	100.0%
Adjusted Special Fund	\$20,000	\$20,000	\$40,000	\$20,000	100.0%
Nonbudgeted Fund	50,255	63,620	108,917	45,297	71.2%
Adjusted Nonbudgeted Fund	\$50,255	\$63,620	\$108,917	\$45,297	71.2%
Adjusted Grand Total	\$85,146	\$100,457	\$161,092	\$60,635	60.4%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The fiscal 2016 allowance includes a fiscal 2015 deficiency of \$2.4 million to supplement the State's share of the operating deficit of the Baltimore City Convention Center (BCCC). The increase due to the deficiency is mitigated, in part, by across-the-board cost containment actions in fiscal 2015.
- The Maryland Stadium Authority (MSA) fiscal 2016 budget increases by \$60.6 million over the fiscal 2015 working appropriation. This is almost exclusively due to MSA's involvement in the Baltimore City School Revitalization Program. Special funds increase due to the State's contribution to the program through lottery proceeds.
- Nonbudgeted funds increase by \$45.3 million in fiscal 2016. The increase would be higher but for a decline in nonbudgeted funds dedicated to capital improvements to the Camden Yards complex. General funds decline due to the final debt service payment for BCCC in fiscal 2015.

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

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Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	106.90	109.90	109.90	0.00
Contractual FTEs	<u>14.50</u>	<u>14.50</u>	<u>14.50</u>	<u>0.00</u>
Total Personnel	121.40	124.40	124.40	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 11/1/14	21	19.1%

- MSA reports 109.9 full-time equivalents (FTE) and 14.5 contractual FTEs; unchanged from the prior year. Of the regular positions, 18.1 FTEs are dedicated to the Baltimore City School Revitalization Program. Personnel expenses are budgeted entirely through the nonbudgeted resources of MSA.

Analysis in Brief

Major Trends

Project Management Capacity Expected to Increase: MSA continues to provide construction management services to a consistent number of projects each year on time and within budget. However, the capacity of MSA to manage projects will increase given the planned projects under the Baltimore City Schools Revitalization Program.

Revenue from Seating Bowl Events Rebound: The number of seating bowl events and associated revenues increased in fiscal 2014. MSA expects that six major events will utilize the Camden Yards facilities in the current fiscal year.

Issues

MSA Management of Baltimore City School Revitalization Program: Chapter 647 of 2013 (HB 860 – Baltimore City School Construction and Revitalization Act) established a new partnership among the State, Baltimore City, and the Baltimore City Schools to fund up to \$1.1 billion in public school facility improvements through revenue bonds issued by MSA. In addition to the financing, MSA is also responsible for the construction management of the program. **The Department of Legislative Services (DLS) recommends an amendment to the Budget Reconciliation and Financing Act of 2015 to reduce the contribution of Baltimore City and State lottery proceeds to the school financing fund in fiscal 2016 only. A corresponding reduction in the MSA special fund allowance is also recommended. Each party would contribute \$10 million in fiscal 2016; reflecting the true timing of the debt issuance and the delayed need for construction funds. DLS also recommends that MSA brief the budget committees on the progress of the Baltimore City School Revitalization Program and specifically on the timing of the debt issuance and the level of funding required to manage the project.**

Recommended Actions

	<u>Funds</u>
1. Reduce lottery proceeds for Baltimore City school construction program to reflect fiscal 2016 expenditure needs.	\$ 10,000,000
Total Reductions	\$ 10,000,000

Updates

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

Camden Yards Capital Improvement Refinancing: In fiscal 2009, MSA began a capital improvement program to repair, replace, and improve various components of Oriole Park at Camden Yards and the B&O Warehouse. In fiscal 2014, the authority initiated a refinancing plan to fund the improvements over a 10-year period.

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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 Oriole 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 constructions in Baltimore City.

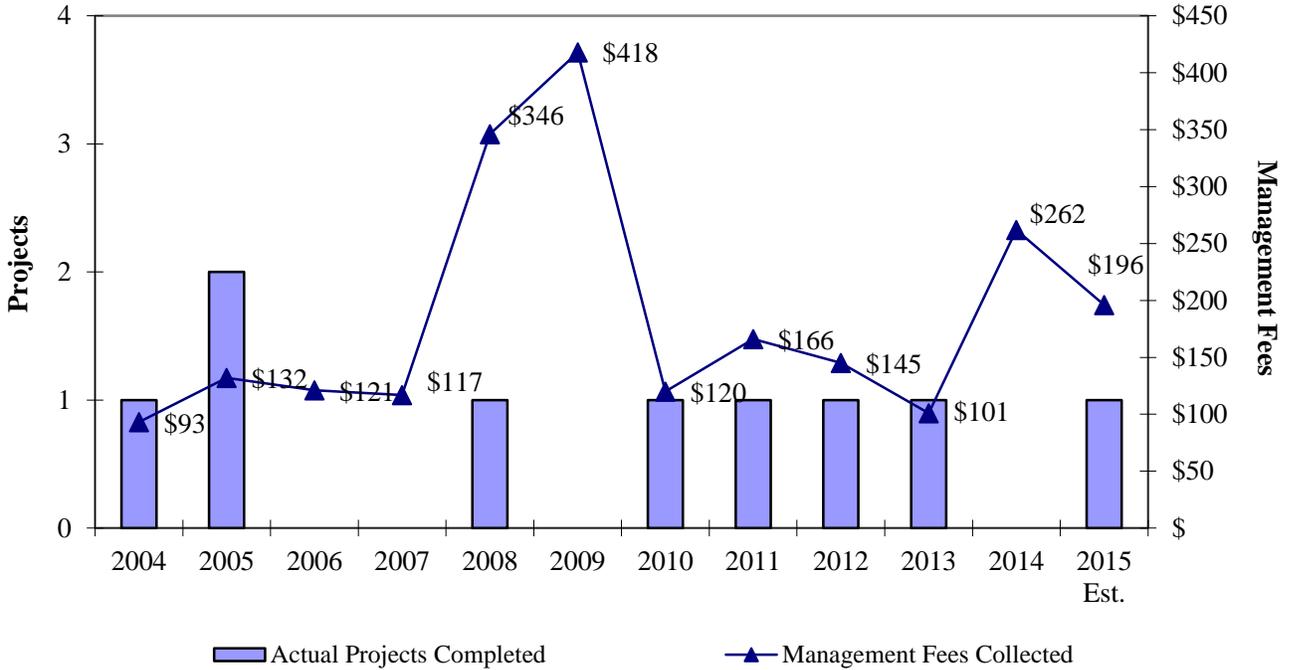
MSA may, in fact, manage any type of construction project for local governments and State agencies. The contracting agency must show that it can fund the project, and the budget committees must have 30 days to review and comment on the proposed work. Furthermore, the statute authorizes MSA to use up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

Performance Analysis: Managing for Results

1. Project Management Capacity Expected to Increase

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 the number of projects that MSA has completed each year. Generally, the authority has the capacity to complete between one and three projects each year. However, this is expected to increase as projects are completed under the Baltimore City School Revitalization Program beginning in fiscal 2017. Management fees have been 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. In fiscal 2015, MSA completed the second phase of the OCCC expansion. 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 2004-2015 Est.
(\$ in Thousands)



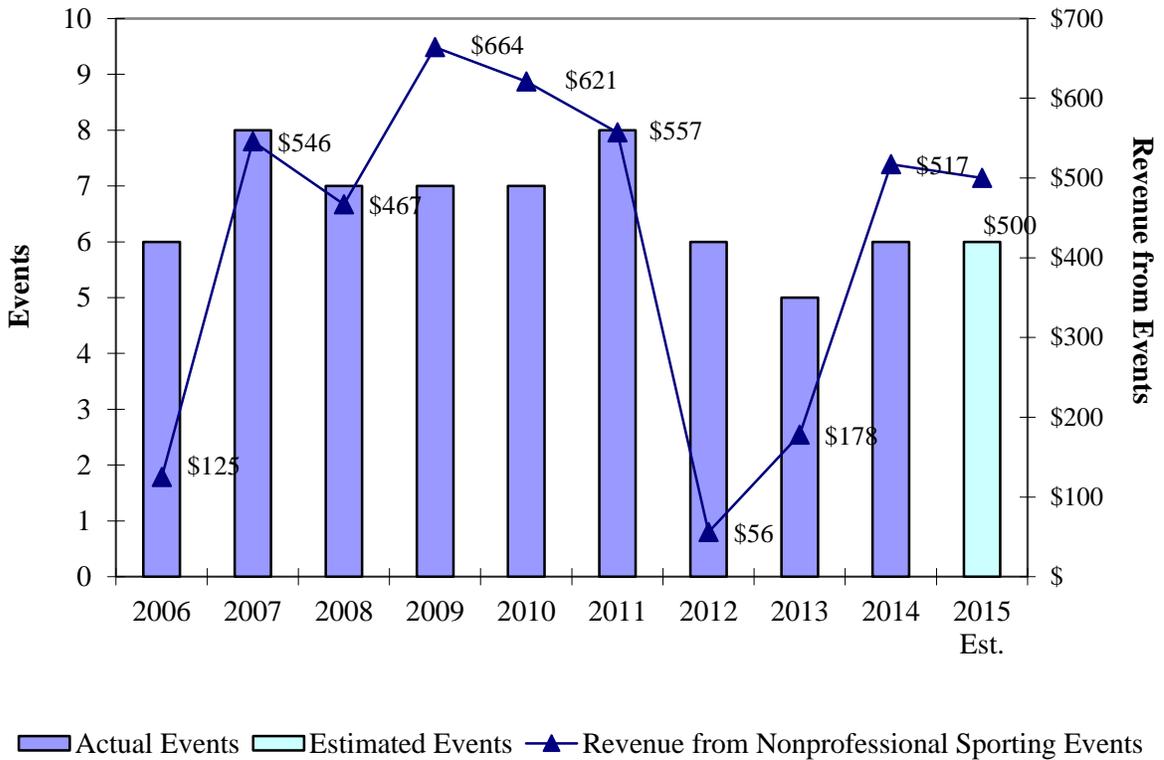
Source: Maryland Stadium Authority

2. Revenue from Seating Bowl Events Rebound

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 five and eight seating bowl events have been held each year since fiscal 2006. In fiscal 2014, revenues increased significantly due to several high profile events including the Jay-Z/Justin Timberlake concert, Gold Cup soccer, and the Maryland/West Virginia football game. MSA expects a similar level of revenue in fiscal 2015 based on scheduled events including the Navy/Ohio State football game and another high profile concert.

It should be noted that MSA also generates revenue through smaller catering events held at the Warehouse and at other venues in the complex. In fiscal 2014, MSA hosted 236 catering events and generated approximately \$543,000 in revenue.

Exhibit 2
Nonprofessional Sporting Events
Fiscal 2006-2015 Est.
(\$ in Thousands)



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

Source: Maryland Stadium Authority

Fiscal 2015 Actions

Proposed Deficiency

The fiscal 2016 allowance includes a fiscal 2015 deficiency of \$2,386,223 in general funds to supplement the State’s share of the annual operating deficit at BCCC. By statute, MSA contributes two-thirds of the center’s operating deficit annually. This issue is discussed in further detail under the Proposed Budget section of this analysis.

Cost Containment

As shown in **Exhibit 3**, MSA was subject to fiscal 2015 reductions taken by the Board of Public Works (BPW) in January 2015. Specifically, the authority relinquished \$294,920 in general funds due to the statewide 2% across-the-board reduction. MSA’s general funds are used exclusively for debt service and for convention center subsidies that are statutorily mandated. The authority has advised that the reductions will likely be taken under the convention center subsidies.

Exhibit 3 Fiscal 2015 Reconciliation (\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Nonbud. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$14,746	\$20,000	\$63,620	\$98,366
Working Appropriation		\$14,746	\$20,000	\$63,620	\$98,366
January BPW	2% across-the-board reduction.	-295	0	0	-295
Deficiency Appropriations		2,386	0	0	2,386
Total Actions Since January 2015		\$2,091	\$0	\$0	\$2,091
Adjusted Working Appropriation		\$16,837	\$20,000	\$63,620	\$100,457

BPW: Board of Public Works

Source: Department of Legislative Services

Proposed Budget

MSA’s activities are supported by a combination of general, special, and nonbudgeted funds. **Exhibit 4** shows that the fiscal 2016 allowance is \$161.1 million, an increase of over \$60.6 million. As discussed further, this significant increase is primarily related to the Baltimore City School Revitalization Program. MSA’s budget by fund source and by program is shown in **Exhibit 5**.

Exhibit 4
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>
Fiscal 2014 Actual	\$14,891	\$20,000	\$50,255	\$85,146
Fiscal 2015 Working Appropriation	16,837	20,000	63,620	100,457
Fiscal 2016 Allowance	<u>12,175</u>	<u>40,000</u>	<u>108,917</u>	<u>161,092</u>
Fiscal 2015-2016 Amt. Change	-\$4,662	\$20,000	\$45,297	\$60,635
Fiscal 2015-2016 Percent Change	-27.7%	100.0%	71.2%	60.4%

Where It Goes:

General Funds

Baltimore City Convention Center debt service	-\$5,019
Baltimore City Convention Center operating deficit	79
Ocean City Convention Center debt service	20
Ocean City Convention Center operating deficit	214
Net cost containment fiscal 2015 to 2016	43
Other	1

Special Funds

Baltimore City Public School Construction – lottery proceeds	20,000
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Nonbudgeted Funds

Baltimore City Public School construction and management.....	60,022
Capital expenditures for Camden Yards Complex	-14,240
Maryland Stadium Authority administration	-485

Total	\$60,635
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Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Exhibit 5
Maryland Stadium Authority Budget Summary by Fund Source
Fiscal 2012-2016
(\$ in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Working Approp. 2015</u>	<u>Allow. 2016</u>	<u>Change 2015-16</u>
General Funds						
Baltimore City Convention Center (BCCC) – Debt Service and State Operating Deficit Contribution	\$11,054	\$8,979	\$11,956	\$11,403	\$6,463	-\$4,940
Ocean County Convention Center – Debt Service and State Operating Deficit Contribution	2,865	2,820	2,728	2,780	3,014	233
Montgomery County Convention Center (MCCC) – State Portion of Construction Costs	1,763	1,768	1,558	1,556	1,558	2
Hippodrome Performing Arts Center – State Portion of Construction Costs	1,373	1,747	1,389	1,393	1,392	-1
Cost Containment				-295	-252	43
Subtotal General Funds	\$17,055	\$15,313	\$17,631	\$16,837	\$12,175	-\$4,662
Special Funds						
Lottery Transfer to the Maryland Stadium Authority (MSA) Facilities Fund for Debt Service on Camden Yards Projects	\$20,000	\$19,265	\$20,000	\$20,000	\$20,000	\$0
Lottery Transfer to the Baltimore City Public School Construction Financing Fund					20,000	\$20,000
Subtotal	\$20,000	\$19,265	\$20,000	\$20,000	\$40,000	\$20,000
Nonbudgeted Funds						
MSA General Administration	\$3,511	\$3,236	\$3,083	\$3,424	\$3,321	-\$103
Camden Yards Capital Programs – Construction, Debt Service, and Other Debt Costs Not Funded by Lottery Revenues	15,775	9,890	15,003	20,062	5,822	-\$14,240
Facilities Management for Entire Camden Yards Complex	21,931	23,181	27,495	28,864	28,504	-359
Facilities Management for Oriole Park Improvements Per Orioles Lease	2,870	763	144	200	200	0
BCCC – Operating Deficit		553				0
MCCC – Refinance		15,493				0
Hippodrome Performing Arts Center – Ticket Surcharge and Other Revenues	1,072	14,224	440	440	440	0
Office of Sports Marketing		350	333	345	322	-\$23
Baltimore City School Construction Administration			1,018	10,286	70,308	60,022
Subtotal Nonbudgeted Funds	\$45,159	\$67,690	\$47,515	\$63,620	\$108,917	\$45,297
Grand Total	\$82,214	\$102,269	\$85,146	\$100,457	\$161,092	\$60,635

Source: Governor's Budget Books, Fiscal 2011-2016

Cost Containment

In fiscal 2016, MSA is subject to the statewide across-the-board general fund reduction. It is estimated that MSA's share of the statewide action is \$252,000 in general funds. MSA's general funds are dedicated to debt services and to statutorily prescribed mandates as discussed below. However, MSA has advised that it will likely allocate the reduction to the convention centers' subsidies.

Need for General Funds Declines

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

- **BCCC:** Section 10-640 of the Economic Development Article requires MSA to contribute two-thirds of the annual operating deficit of BCCC through December 31, 2019. MSA was also responsible for the State's share of the debt service associated with the convention center expansion that began in 1997. However, the bonds that were issued for the expansion were retired in fiscal 2015. As such, the fiscal 2016 budget declines by about \$5.0 million for this purpose.

The fiscal 2016 allowance reflects funds for the operating deficit subsidy only. The operating deficit has historically been underfunded as evidenced by the fiscal 2015 deficiency included with the fiscal 2016 budget. In fact, there has been a deficiency for this purpose in 9 of the last 11 years. The Department of Legislative Services (DLS) has consistently encouraged the Department of Budget and Management and MSA to adjust the annual appropriation to better reflect the actual cost of the operating subsidy for the convention center. The fiscal 2016 allowance does attempt to make that adjustment. However, due to the limited use of general funds in the MSA budget, this is one of the primary options for MSA to implement the fiscal 2016 cost containment actions. To the extent that the operating subsidies are used for cost containment, deficiencies in the following year are again likely.

- **OCCC:** MSA is also required under Section 10-643 of the Economic Development Article to contribute one-half of the annual operating deficits of OCCC. The allowance provides \$1.5 million for this purpose, an increase of about \$214,000 from the prior year appropriation. The convention center very recently underwent an expansion, and it is expected that the expansion would increase the operating deficits. It should be noted that legislation was passed during the 2012 session (Chapter 630) that extended the timeframe for which the State is responsible for one-half of the annual operating deficit. The State will now retain this responsibility until fiscal 2036 (from fiscal 2016).

Debt service costs for the authority's revenue bonds issued for the OCCC construction account for \$1.43 million, a slight increase from the prior year. The allowance also provides an additional \$50,000 for MSA's statutorily required contribution to the OCCC capital improvement fund.

DLS recommends that the Budget Reconciliation and Financing Act (BRFA) of 2015 be amended to include a provision that will limit the State’s fiscal 2016 liability for the State’s share of the convention centers’ operating subsidies to the fiscal 2016 cost containment level. Either Baltimore City or Ocean City must provide funds to cover any shortfall, or the convention centers must find operational efficiencies to reduce costs in fiscal 2016.

- **Hippodrome Performing Arts Center:** The allowance provides \$1.39 million in general funds and \$440,000 in nonbudgeted funds to fund the fiscal 2016 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 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 2014 allowance provides \$1.56 million in general funds for the debt service costs for the authority’s revenue bonds.

Special Funds Increase

Lottery proceeds support debt service payments on the Camden Yards Complex. The fiscal 2016 allowance includes \$20.0 million in special funds for this purpose. As has been the case in recent years, the lottery proceeds do not completely cover the cost of debt service. MSA expects to pay \$25.1 million in total debt service in fiscal 2016. Of this amount, approximately \$749,000 is for debt service on Camden Station, \$979,000 is for energy projects, and \$994,000 is for equipment lease financing. MSA will contribute nonbudgeted funds for the remaining debt service.

Also included in the fiscal 2016 allowance is an additional \$20 million in lottery proceeds to support MSA activities related to the Baltimore City School Revitalization Program. Fiscal 2016 marks the first year of this funding. This issue will be discussed in greater detail in the Issues section of this analysis.

Maryland Stadium Authority Financing Fund (and Other Nonbudgeted Funds)

The MSA Financing Fund is a nonbudgeted account from which all MSA’s 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 revenue associated with rent from the Orioles, operations and maintenance reimbursement from the Ravens, lease agreements at the Warehouse and Camden Station, stadium admission taxes, and MSA project management fees.

As shown in Exhibit 4, nonbudgeted funds increase by \$45.3 million in the fiscal 2016 allowance. The primary driver of the increase is the authority’s new role in the management of the

Baltimore City School Construction Program. This is discussed in greater detail under the Issues section of this analysis.

The increase in nonbudgeted funds is mitigated due to a reduction in the renovations to the Camden Yards Complex that are scheduled in fiscal 2016. MSA has undertaken a multi-year renovation schedule for Oriole Park at Camden Yards and the B&O warehouse. These facilities have been in use for 20 years and have, therefore, been in need of repair. The bulk of those restorations have been completed, reducing the need for funds in fiscal 2016. Completed renovations include concrete restoration, seat renovation, electrical repairs, waterproofing, fire alarm and suppression system, and roof replacement. The replacement of escalators and an upgrade to the facilities cameras are currently underway.

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 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. In fiscal 2015, MSA made a rent payment of \$3 million.

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

Issues

1. MSA Management of Baltimore City School Revitalization Program

The Baltimore City Public Schools (BCPS) has the oldest school buildings in the State, with an average age of 41 years old. A 2012 assessment of the condition of BCPS school facilities by a consultant hired by the Baltimore City Board of School Commissioners estimated a cost of \$2.4 billion to address the educational adequacy, condition, and life-cycle needs of the facilities. Chapter 647 of 2013 (HB 860 – Baltimore City School Construction and Revitalization Act) established a new partnership among the State, Baltimore City, and BCPS to fund up to \$1.1 billion in public school facility improvements through revenue bonds issued by MSA. The law requires the four parties – MSA, the Interagency Committee on School Construction, Baltimore City, and BCPS – to enter into a memorandum of understanding (MOU) to set out the roles and responsibilities of each party to implement the construction plan. BPW must approve the MOU before it may take effect and before MSA may issue any bonds for the program. The MOU has been approved by the governing bodies of each party and was approved by BPW on October 16, 2013.

The 10-year plan adopted by the board is referred to as the 21st Century Buildings Plan. The original estimate was that improvements could be made to 50 schools with the \$1.1 billion initiative, including approximately 16 new schools and the remainder renovations. That estimate has since been revised downward, with a total of 23 to 28 schools to be replaced or renovated. The lower estimate reflects more realistic cost estimates for the projects based on feasibility studies and revised estimates of projected bond proceeds.

Role of MSA

MSA has long held a reputation for providing construction management services that are timely and efficient. It has also been the means of financing several sports/tourism-related projects across the State. However, the new role under the Baltimore City School Construction Program will significantly expand MSA's responsibilities. The new responsibilities include:

- overseeing new school construction projects;
- leveraging up to \$60 million annually for 30-year financing;
- reviewing and approving all procurements and change orders;
- approving and issuing all payments related to the program;
- chairing a joint committee on the budget, payments, schedule, *etc.*;
- following all State regulations and policies including the Minority Business Enterprise and prevailing wage;

- releasing construction funding provided certain criteria are met; and
- seeking BPW approval of all design and construction contracts and bond issuances.

Impact on MSA Budget

Chapter 647 established two new nonbudgeted funds, administered by MSA, to finance improvements to BCPS facilities: the BCPS Construction Financing Fund and the BCPS Construction Facilities Fund.

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

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

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

The fiscal 2016 allowance marks the first year in which all three partners are participating financially: Baltimore City – \$18 million; Baltimore City Public Schools – \$10 million; and State of Maryland (through lottery proceeds) – \$20 million. The city school board will increase its contribution to \$20 million beginning in fiscal 2017. To date, MSA has hired staff dedicated to the school

construction program including project managers, assistant project managers, accountants, auditors, compliance managers, and administrative staff. Additionally, MSA has entered into several contracts including architectural and engineering; project management; Leadership in Energy and Environmental Design consultants; and a commissioning agent to design the maintenance program. The first steps are in place for pre-construction contracts as well as underwriting contracts for the first bond issuance estimated to be in December 2015.

Exhibit 6 shows the actual and planned MSA expenditures under the school construction program for fiscal 2014 through 2016. Expenditures increase in fiscal 2016 due to the onset of construction. MSA expects to spend \$50.0 million of the \$250.0 million bond proceeds on construction related costs. The first two schools are scheduled to be completed by summer 2017. Based on the timing of the first bond issuance, only a partial debt service payment of \$8.5 million is expected in fiscal 2016. As shown in the exhibit, MSA is expected to finish fiscal 2016 with a fund balance of over \$252.0 million. **As such, DLS recommends an amendment to the BRFA of 2015 to reduce the contribution of Baltimore City and State lottery proceeds to the school financing fund for fiscal 2016 only. A corresponding reduction in the MSA special fund allowance is also recommended. This action would mean that each party would contribute \$10 million in fiscal 2016; reflecting the true timing of the debt issuance and the delayed need for construction funds. This action would also result in a \$10 million increase to general fund revenues in fiscal 2016.**

DLS also recommends that MSA brief the budget committees on the progress of the Baltimore City School Revitalization Program and specifically on the timing of the debt issuance and the level of funding required to manage the project.

Exhibit 6
Maryland Stadium Authority – Baltimore City School Revitalization Program
Fiscal 2014-2016

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Budget</u>	<u>2016</u> <u>Budget</u>
Beginning Cash Funds	\$0	\$16,983	\$24,697
Funding Sources			
Bond/Lottery Proceeds			
Bond Proceeds	\$0	\$0	\$250,000
Unspent Bond Proceeds	0	0	0
Lottery Proceeds	0	0	20,000
Subtotal	\$0	\$0	\$270,000
Other Revenue			
Baltimore City	\$18,000	\$18,000	\$18,000
Baltimore City Public School (BCPS)s	0	0	10,000
Subtotal	\$18,000	\$18,000	\$28,000

D28A03 – Maryland Stadium Authority

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Budget</u>	<u>2016</u> <u>Budget</u>
Total Revenues	\$18,000	\$18,000	\$298,000
Total Funds Available	\$18,000	\$34,983	\$322,697
Disbursements			
Operating Expenses			
General Overhead	\$840	\$2,233	\$2,134
Bond Financing	0	0	1,500
BCPS reimbursement	0	1,900	1,900
Program Manager	0	1,200	1,200
Architects and Engineering	93	2,000	4,500
Construction Management	84	600	50,000
Feasibility Studies	0	2,353	600
Subtotal	\$1,017	\$10,286	\$61,834
Debt Service and Financing Costs			
Series 2015 Bonds	\$0	\$0	\$8,474
Subtotal	\$0	\$0	\$8,474
Total Uses	\$1,017	\$10,286	\$70,308
Net Funding Available	\$16,983	\$7,714	\$227,692
Ending Balance	\$16,983	\$24,697	\$252,389

Source: Maryland Stadium Authority

Recommended Actions

	<u>Amount Reduction</u>
1. Reduce lottery proceeds dedicated to the Baltimore City School Revitalization Program. This one-time action reflects the timing associated with the bond issuance and the expectation that debt service and other costs will be significantly less than originally expected in fiscal 2016. This action corresponds with a recommended amendment to the Budget Reconciliation and Financing Act of 2015 to reduce lottery proceeds for the program as well as the contribution from Baltimore City. Each participant in the financing of the program would therefore contribute \$10 million in fiscal 2016 only. Full contributions would resume in fiscal 2017 as long as there is debt outstanding. This action will also result in an increase of \$10 million in general fund revenues in fiscal 2016.	\$ 10,000,000 SF
Total Special Fund Reductions	\$ 10,000,000

Updates

1. Project Updates

Statute authorizes MSA to assist State agencies and local governments in managing construction projects. The budget committees must be notified, and funding must be provided entirely by the agency or local government requesting assistance unless funding is specifically provided in the budget for the project. The statute also authorizes MSA to conduct feasibility studies. Feasibility studies are often the first step in the process of evaluating the costs, financing options, economic impact, and market conditions of potential infrastructure projects. In many instances, the projects entail State and local 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 total 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 audiovisual and technical amenities, provide more function space to accommodate multiple events, and increase prime exhibit space. In the fiscal 2011 capital budget bill, the General Assembly added \$4.3 million in general obligation (GO) bond funding to finance the State's share of the convention center expansion. State funds were matched with \$5.0 million from Ocean City. The fiscal 2013 capital budget bill provided an additional \$2.2 million in GO bond financing for the project, provided that the city provide matching funds. The fiscal 2014 capital budget bill also provided \$3.5 million (with a match requirement). MSA completed the project in January 2015.
- **Montgomery County Conference Center Garage:** As mentioned above, MSA participated in the design and construction of the Montgomery County Conference Center. In March 2014, MSA and Montgomery County agreed to an MOU for the management of the design and construction of a parking facility associated with the conference center. MSA will service as the project manager and the county will provide the financing.

Recently Released Studies

- **Show Place Arena and Prince George's County Equestrian Center:** The Maryland-National Capital Park and Planning Commission (MNCPPC) requested, and has funded, a study on the management practices and governance structure of the existing equestrian center in Prince George's County. MSA issued its study in October 2014. The report makes various recommendations about the facility, its usage, and its management.

- **Prince George’s County Lacrosse Complex:** MNCPPC requested MSA to perform a conceptual design and cost estimate of a multi-field tournament complex in Bowie. MSA issues its study in October 2014. The study suggests that the optimal plan include 12 lighted synthetic turf fields, 1,200 parking spots, concessions pavilion, and other amenities. Based on these program elements, the total project cost is estimated at \$46.8 million. The facility could host between 20 and 22 tournaments annually and attract between 280,000 and 308,000 attendees.
- **Purdue Stadium Market Study:** In June 2012, Wicomico County requested that MSA perform a market and economic impact study of the Arthur Perdue Stadium to determine what enhancements are necessary to keep the facility competitive. The study was released in October 2014. It makes several recommendations for improvements to the stadium including seating improvements, structural repair, fan amenities, a multi-use boardwalk deck, parking, museum, and office space. The study estimates the improvements would increase stadium earnings from \$4.6 million to between \$5.1 million to \$5.3 million.

Ongoing Studies

- **Maryland Horse Park Study:** MSA is conducting an operational study of a potential Maryland Horse Park that is, in part, examining existing horse industry assets. The study is funded by the Maryland Horse Industry Board and the Department of Business and Economic Development. It is expected to be released in spring 2015.
- **Waldorf Multipurpose Center:** In May 2014, Charles County requested that MSA perform a market and economic study for a proposed multi-purpose civic center in downtown Waldorf. The study will examine market demand, venue size, programming, and economic impact. The estimated cost of the study is \$60,000 to be funded in full by the county. It is expected to be released in summer/fall 2015.

2. Camden Yards Capital Improvement Refinancing

In 2014, MSA received approval from its board, the legislative fiscal committees, and BPW to proceed with a second round of a refinancing plan to help facilitate the capital improvements underway at the Camden Yards Complex. Components of the current improvement are discussed under the budget discussion of this analysis.

Background

Oriole Park at Camden Yards and the renovated B&O Warehouse had been in use for over 15 years when MSA developed a 5-year capital improvement plan that totals about \$35 million. The plan requires MSA to issue taxable debt to finance the improvements subject to the submission of a financing plan and approval by the Legislative Policy Committee (LPC). In October 2009, MSA forwarded a 2009 *Amendment to the Comprehensive Plan of Financing* for the Camden Yards Sports Complex to LPC and the fiscal committees of the General Assembly.

The amended financing plan supported the MSA plan to fund energy projects that resulted from the recommendations of an energy audit, to replace aging video score boards at M&T Bank Stadium, and to begin a five-year capital improvement plan for Oriole Park at Camden Yards. Funds were used primarily for capital improvements to Oriole Park, including concrete restoration, seat renovation, waterproofing, roof replacement, electrical repairs, and some structural steel painting.

Financing Plan

In fiscal 2010, MSA originally planned to issue the debt with a 10-year term. However, given the structure of taxable bonds secured only by lottery proceeds, only short-term offerings provided favorable interest rates. Previously, MSA issued its revenue bonds secured primarily by lease payments appropriated each year by the General Assembly. Under the new structure, only 3-year terms were offered by the market. The short-term offering provided a low interest rate; however, it also included a large final lump sum debt service payment due in fiscal 2014. A second phase of financing was issued in fiscal 2011 under these same constraints.

To avoid the final lump sum payment, in fiscal 2013, MSA issued an amended plan that called for the issuance of \$8.635 million – again secured by lottery proceeds. MSA advised that the market (now more comfortable with this structure) would provide financing options with both low interest rates and longer terms. The proposal at issue now is another amended plan that mirrors the 2013 issuance to address the term and payment concerns in the 2011 issuance.

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 2014					
Legislative Appropriation	\$14,746	\$20,000	\$0	\$0	\$34,746
Deficiency Appropriation	553	0	0	0	553
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-408	0	0	0	-408
Actual Expenditures	\$14,891	\$20,000	\$0	\$0	\$34,891
Fiscal 2015					
Legislative Appropriation	\$14,746	\$20,000	\$0	\$0	\$34,746
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$14,746	\$20,000	\$0	\$0	\$34,746

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

The fiscal 2014 original appropriation was increased by a deficiency appropriation included in the fiscal 2015 budget bill. The deficiency addresses a shortfall in the State’s share of the operating deficit of BCCC. This increase was partially offset by a decline in general funds needed for the debt service for the Montgomery County Conference Center. The authority realized savings in the debt service after a restructuring of the outstanding bonds.

Maryland Stadium Authority Financing Fund
Camden Yards Complex Activities
Fiscal 2012-2016 Est.
(\$ in Thousands)

	<u>Actual</u> <u>2012</u>	<u>Actual</u> <u>2013</u>	<u>Actual</u> <u>2014</u>	<u>Est.</u> <u>2015</u>	<u>Est.</u> <u>2016</u>
Beginning Balance	\$6,538	\$12,175	\$14,700	\$15,466	\$5,706
Bond Proceeds	13,160	3,023	8,635	10,125	0
Master Equip Lease Financing for					
Audio/Visual Equipment	0	0	0	0	0
Master Energy Program	0	0	0	0	0
Lottery Proceeds	20,000	19,265	20,000	20,000	20,000
Subtotal Lottery/Bond	\$33,160	\$22,288	\$28,635	\$30,125	\$20,000
Other Revenues					
Misc. Income	2,342	1,594	2,279	1,550	1,025
Parking	1,020	0	0	0	0
Catering Events	574	550	543	500	500
Memorial Stadium Land Sale	0	0	0	0	0
Admission Tax	9,847	11,040	11,568	10,750	11,000
Baseball Rent	5,479	7,226	7,205	6,750	6,750
Baseball Suite Amortization	712	774	756	747	747
Football Operations	9,076	9,532	9,685	9,771	9,967
Seating Bowl Events	0	0	0	0	0
Warehouse Lease	3,881	3,992	4,412	4,200	4,000
Construction Management Fee	256	100	262	196	50
Baltimore City	1,000	1,000	1,000	1,000	1,000
Subtotal Other Revenues	\$34,187	\$35,808	\$37,710	\$35,464	\$35,039
Total Funds Available	\$73,885	\$70,271	\$81,045	\$81,055	\$60,745
Uses					
MSA Administration	4,254	3,236	3,748	4,142	4,067
Camden Yards Operations	21,030	23,028	27,600	27,964	27,605
Subtotal MSA/Camden Operating	\$25,284	\$26,264	\$31,348	\$32,106	\$31,672
Capital Improvement Funds for Oriole Park*	400	400	400	400	400
Audio/Visual Equipment	0	0	0	0	0
Energy Projects	338	0	0	0	0
Baseball Suite Renovate	500	0	0	500	500
Baseball Stadium Capital Projects	7,929	1,834	0	5,000	0
Other (Ocean City Expansion)	0	0	676	0	0
Pit Lane Improvements	201	0	0	0	0
Subtotal MSA/Camden Operating and Capital	\$34,652	\$28,498	\$32,424	\$38,006	\$32,572

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	<u>Actual</u> <u>2012</u>	<u>Actual</u> <u>2013</u>	<u>Actual</u> <u>2014</u>	<u>Est.</u> <u>2015</u>	<u>Est.</u> <u>2016</u>
Debt Service and Financing	26,308	25,538	33,155	34,343	25,062
School Construction	0	0	0	0	0
State Rent Payment	750	1,535	0	3,000	0
Total Uses	\$61,710	\$55,571	\$65,579	\$75,349	\$57,634
Ending Balance	\$12,175	\$14,700	\$15,466	\$5,706	\$3,111

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

Source: Maryland Stadium Authority

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	106.90	109.90	109.90	0.00	0%
02 Contractual	14.50	14.50	14.50	0.00	0%
Total Positions	121.40	124.40	124.40	0.00	0%
Objects					
01 Salaries and Wages	\$ 7,832,015	\$ 10,151,827	\$ 10,154,902	\$ 3,075	0%
02 Technical and Spec. Fees	492,722	561,351	561,351	0	0%
03 Communication	37,858	72,214	72,910	696	1.0%
04 Travel	50,453	100,113	100,113	0	0%
06 Fuel and Utilities	7,207,973	6,612,612	6,722,402	109,790	1.7%
07 Motor Vehicles	75,493	37,900	40,000	2,100	5.5%
08 Contractual Services	16,430,717	29,822,701	75,911,615	46,088,914	154.5%
09 Supplies and Materials	820,919	973,425	1,009,932	36,507	3.8%
10 Equipment – Replacement	0	500,000	500,000	0	0%
11 Equipment – Additional	588,709	104,500	132,000	27,500	26.3%
12 Grants, Subsidies, and Contributions	8,580,396	5,671,181	8,309,830	2,638,649	46.5%
13 Fixed Charges	43,028,591	43,758,012	57,828,975	14,070,963	32.2%
Total Objects	\$ 85,145,846	\$ 98,365,836	\$ 161,344,030	\$ 62,978,194	64.0%
Funds					
01 General Fund	\$ 14,890,761	\$ 14,746,000	\$ 12,427,000	-\$ 2,319,000	-15.7%
03 Special Fund	20,000,000	20,000,000	40,000,000	20,000,000	100.0%
07 Nonbudgeted Fund	50,255,085	63,619,836	108,917,030	45,297,194	71.2%
Total Funds	\$ 85,145,846	\$ 98,365,836	\$ 161,344,030	\$ 62,978,194	64.0%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 0	0%
41 General Administration	3,082,914	3,423,977	3,321,367	-102,610	-3.0%
42 Capital Programs – Baseball/Football Pre-Construction	15,002,604	20,061,953	5,821,657	-14,240,296	-71.0%
44 Facilities Management	27,495,456	28,863,788	28,504,367	-359,421	-1.2%
48 Facilities Management	143,645	200,000	200,000	0	0%
55 Baltimore Convention Center	11,956,045	9,016,587	6,462,731	-2,553,856	-28.3%
58 Ocean City Convention Center	2,727,975	2,780,353	3,013,599	233,246	8.4%
59 Montgomery County Conference Center	1,557,800	1,556,000	1,558,250	2,250	0.1%
60 Hippodrome Performing Arts Center	1,829,016	1,833,060	1,832,420	-640	0%
63 Office of Sports Marketing	332,655	344,542	322,042	-22,500	-6.5%
66 Baltimore City Public School Construction Financing Fund	0	0	20,000,000	20,000,000	0%
67 Baltimore City Public School Construction Facilities Fund	1,017,736	10,285,576	70,307,597	60,022,021	583.6%
Total Expenditures	\$ 85,145,846	\$ 98,365,836	\$ 161,344,030	\$ 62,978,194	64.0%
General Fund	\$ 14,890,761	\$ 14,746,000	\$ 12,427,000	-\$ 2,319,000	-15.7%
Special Fund	20,000,000	20,000,000	40,000,000	20,000,000	100.0%
Nonbudgeted Fund	50,255,085	63,619,836	108,917,030	45,297,194	71.2%
Total Appropriations	\$ 85,145,846	\$ 98,365,836	\$ 161,344,030	\$ 62,978,194	64.0%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.