

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 471
Appropriations

(St. Mary's County Delegation)

Budget and Taxation

St. Mary's County - Public Facility Bonds

This bill authorizes the St. Mary's County Commissioners to issue up to \$35.0 million in general obligation bonds for the acquisition, construction, improvement, or renovation of public buildings, facilities, and public works projects. The date of maturity of the bonds cannot exceed 30 years.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County would receive up to \$35.0 million in bond proceeds. County debt service expenditures could increase by an estimated \$2.7 million annually over a 20-year period.

Small Business Effect: None.

Analysis

Background: Chapter 145 of 2003 and Chapter 525 of 2005 authorized St. Mary's County to issue up to \$25.0 million and \$20.0 million respectively, in public facilities bonds.

St. Mary's County indicates that funds derived from bonds issued under this authority will be used for long-term public facilities. After considering the fiscal 2008 budget, the

county had \$19.6 million in unused bonding authority. While this amount is adequate to cover planned projects in fiscal 2009, as shown in **Exhibit 1**, the county indicates that it is desirable to have clear authority for the sources of funding for the later years, as this multi-year authority better corresponds to the capital program. The actual appropriation and borrowing will be determined annually based upon need and affordability.

Exhibit 1
General Obligation Bond Funding for Capital Improvements
Fiscal 2008-2010

<u>Capital Project</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Total</u>
Public Facilities	\$0	\$5,795,215	\$8,726,836	\$14,522,051
Marine	19,373	-	-	19,373
Highways	1,500,000	5,623,650	6,805,809	13,929,459
Solid Waste	870,000	-	-	870,000
Public Schools	6,311,427	5,701,500	4,112,750	16,125,677
Total	\$8,700,800	\$17,120,365	\$19,645,395	\$45,466,560

Local Fiscal Effect: St. Mary’s County revenues could increase by up to \$35.0 million from to bond proceeds. Annual debt service costs for the bonds could total approximately \$2.7 million. This estimate is based on a 4.47% interest rate and a 20-year term of maturity. To the extent that the bond issuance, interest rate, or term of maturity deviate from this assumption, expenditures would adjust accordingly.

At the end of fiscal 2006, St. Mary’s County had approximately \$170.2 million in outstanding debt, which represents approximately 2.5% of the county’s assessable base. County debt per capita is approximately \$1,757. The county currently has an AA rating from Standard and Poor’s, an Aa3 credit rating from Moody’s Investors Service, and an AA rating from Fitch Ratings.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary’s County, Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2008
ncs/hlb

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