

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 288
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 \$30.0 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, 2013.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County receives up to \$30.0 million in bond proceeds. County debt service expenditures increase by an estimated \$1.9 million annually over a 20-year period.

Small Business Effect: None.

Analysis

Current Law: Commission counties do not have the legislative power to create debt; General Assembly authorization is required before any bonds can be sold. St. Mary's County is one of seven counties that still operate under the commission form of government.

Background: Since 2003, St. Mary’s County has received authorization by the General Assembly to issue up to \$80.0 million in general obligation bonds for public facilities, as shown in **Exhibit 1**.

Exhibit 1
Bond Authorizations for St. Mary’s County

<u>Session</u>	<u>Chapter Number</u>	<u>Bill Number</u>	<u>Authorized Amount</u>
2003	Ch. 145	HB 353	\$25.0 million
2005	Ch. 525	HB 122	20.0 million
2008	Ch. 78	HB 471	35.0 million
3-year Total			\$80.0 million

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 2013 budget, the county had \$11.8 million in unused bonding authority and while \$30.0 million in authority is requested, the county anticipates that it will issue approximately \$20.0 million of new bonds annually. The request is higher than the annual amount, because the county wants to ensure that it has adequate authority to complete any multiyear projects started, for which bond financing is planned. Based on the approved fiscal 2013 capital budget and plan, St. Mary’s County expects to sell the bonds related to this authority in fiscal 2014 (\$10.0 million) and fiscal 2015 (\$20.0 million). The county debt policy requires that debt service on general obligation bonds cannot exceed 10% of general fund expenditures. **Exhibit 2** shows the planned capital projects in St. Mary’s County for fiscal 2013 through 2015.

Local Fiscal Effect: St. Mary’s County revenues increase by up to \$30.0 million from bond proceeds. Annual debt service costs for the bonds total approximately \$1.9 million. This estimate is based on a 2.6% 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 2011, St. Mary’s County had approximately \$147.2 million in total outstanding debt, which represents approximately 1.1% of the county’s assessable base. The county currently has an AA rating from Standard and Poor’s, an Aa2 credit rating from Moody’s Investors Service, and an AA+ rating from Fitch Ratings.

Exhibit 2
General Obligation Bond Funding for Capital Projects in St. Mary's County
Fiscal 2013-2015

<u>Capital Project</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
ADC HVAC Upgrades	\$0	\$2,700,500	\$0
ADC Minimum Security Facility Addition – Phase 1	0	5,102,375	0
ADC Booking/Inmate Processing & Expansion – Phase 2	0	771,250	921,250
Leonardtown Library Renovation	1,544,950	0	0
NextGen 800Mhz/Tower Enhancement	0	0	4,926,804
Fire and Rescue Revolving Loan Fund	0	1,600,000	0
Patuxent Park Neighborhood Preservation Program	1,000,000	1,700,000	2,112,460
Regional Water Quality & Nutrient Removal	0	1,057,900	0
FDR Boulevard Extended (Neighborhood Connector)	540,660	0	5,550,000
Asphalt Overlay	213,871	3,000,000	3,000,000
Modified Seal Surface Treatment	0	224,951	0
St. Jerome's Creek Jetties	0	1,447,599	759,097
St. Patrick Creek Maintenance Dredge	0	100,000	0
Recreation Facilities and Park Improvements	0	102,808	0
Piney Point Public Landing	0	0	0
Greenview Knolls ES – HVAC Systemic Renovation	1,000,000	0	0
Mechanicsville ES Bus/Parking Lot Modifications	1,453,000	0	0
New Elementary School – Leonardtown	0	0	2,876,500
Fairlead Academy	0	1,150,000	0
Total	\$5,752,481	\$18,957,383	\$20,146,111

ADC: Adult Detention Center
ES: Elementary School
Source: St. Mary's County Government

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 1, 2013
ncs/hlb

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