

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 736

(Senator Waugh)

Budget and Taxation

Appropriations

St. Mary's County - Public Facility Bonds

This bill authorizes the St. Mary's County Commissioners to issue up to \$26.3 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, 2017.

Fiscal Summary

State Effect: None.

Local Effect: St. Mary's County anticipates the general obligation bonds authorized by the bill will not be issued until FY 2021; therefore, revenues increase by up to \$26.3 million from bond proceeds in FY 2021. County debt service expenditures increase by an estimated \$1.8 million annually over a 20-year period beginning in FY 2021.

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 six counties that still operates under the commission form of government.

Background: Since 2008, St. Mary's County has received authorization by the General Assembly to issue up to \$65.0 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>Authorized Amount</u>
2008	Ch. 78	\$35.0 million
2013	Ch. 96	30.0 million
Total		\$65.0 million

St. Mary's County advises it still has \$45.2 million in remaining bond authority from Chapter 78 of 2008 and Chapter 96 of 2013. Of this amount, the county has allocated \$33.5 million toward capital projects approved through fiscal 2017. The county advises the remaining bond authority of \$11.7 million, along with the \$26.3 million authorized by the bill, will be applied toward future projects. **Exhibit 2** shows the planned capital projects in St. Mary's County.

Local Fiscal Effect: St. Mary's County anticipates the general obligation bonds authorized by the bill will not be issued until fiscal 2021; therefore, revenues increase by up to \$26.3 million from bond proceeds in fiscal 2021. Annual debt service costs for the bonds total approximately \$1.8 million beginning in fiscal 2021. This estimate is based on a 3.15% 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 2015, St. Mary's County had approximately \$133.0 million in total outstanding debt, which represents approximately 1.1% of the county's assessable base and \$1,205 on a per capita basis. 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.

Information on local debt measures for Maryland counties and Baltimore City can be found in Chapter 9 of the [Overview of Maryland Local Governments](#) report. A copy of the report can be found on the Department of Legislative Services website.

Exhibit 2
St. Mary's County Bond Authorization Request
2017 Session

<u>Project Description</u>	<u>Amount</u>
Leonardtown Library Replacement Facility	\$10,194,250
Garvey Senior Center Replacement Facility	5,114,800
Advanced Life Support New Building	2,769,500
Regional Water Quality and Nutrient Removal	1,578,825
FDR Boulevard Extended (MD 4 to Pegg Road)	8,848,520
Asphalt Overlay	3,250,000
St. Jerome Creek Jetties	479,838
St. Clement's Island Museum Renovations	101,500
Three Notch Trail – Phase Seven	295,000
Fairlead Academy Building	620,000
DSS IT and Warehouse	3,169,000
Park Hall Elementary School – Partial Roof/HVAC Replacement	492,000
Lettie Dent Parking Lot	895,000
Fire Alarm Replacement Chopticon HS/Great Mills HS	222,000
Total Cost of Projects	\$38,030,233
Less: Estimated Remaining Existing Authority from Chapter 96 of 2013	11,661,296
Total Estimated Bond Authority Required¹	\$26,368,937

HS: high school

HVAC: heating, ventilation, and air conditioning

¹After accounting for the county's estimated remaining existing bond authority from Chapter 96 of 2013, the total estimated additional bond authority required to fund the above capital projects is estimated to be \$26,368,937; however, the bill limits the county's new bond authorization to \$26,300,000.

Source: St. Mary's County Government

Additional Information

Prior Introductions: None.

Cross File: HB 892 (St. Mary's County Delegation) - Appropriations.

Information Source(s): St. Mary's County; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2017
md/hlb
Third Reader - April 4, 2017

Analysis by: Trevor S. Owen

Direct Inquiries to:
(410) 946-5510
(301) 970-5510