

Capital Debt Affordability Committee

Treasurer Dereck E. Davis, Chair

Virtual meeting registration:

<https://events.gcc.teams.microsoft.com/event/de0f8223-041b-419c-996b-a8b1258bdec5@1030cfe7-eed8-4fba-ae42-f0bdefc37482>

Agenda

October 13, 2023

10 AM to 12 PM

- 1) **Treasurer's Opening Comments**
- 2) **Review of Size and Condition of State Tax-Supported Debt:**
 - a. **General Obligation Bonds**
Rebecca Ruff, Director of Debt Management, State Treasurer's Office
 - b. **Capital Leases and GASB 87 Workgroup**
Tanya Mekeal, Lease Administrator, State Treasurer's Office
 - c. **Consolidated Transportation Bonds**
Jaclyn Hartman, Chief Financial Officer, Maryland Department of Transportation
 - d. **Maryland Stadium Authority Bonds**
Dawn Abshire, Chief Financial Officer, Maryland Stadium Authority
 - e. **Bay Restoration Bonds**
Jeff Fretwell, Director, Maryland Water Quality Financing Administration
- 3) **Review of Size and Condition of Debt of Higher Education Institutions:**
 - a. **Baltimore City Community College**
Dr. Debra L. McCurdy, President
Aubrey Bascombe, Vice President, Finance and Administration
 - b. **Morgan State University**
David LaChina, Executive Vice President for Finance and Administration (Interim)
 - c. **University System of Maryland**
Ellen Herbst, Senior Vice Chancellor for Administration & Finance
Samantha Norris, Director of Financial Planning & Analysis
 - d. **St. Mary's College**
Mary Grube, Director of Budgets
Chris True, Assistant Vice President for Finance

The final CDAC meeting will be held on Monday, October 16th at 10 am to review and discuss the recommendation of general obligation and academic facility bond authorizations.

Capital Debt Affordability Committee: 2023 Update on Maryland General Obligation Bonds

Presented by
Rebecca Ruff, Director of Debt Management
Maryland State Treasurer's Office

October 13, 2023

GO Bond Issuances Fiscal 2023 – 2024

Fiscal Year 2023 General Obligation Bond Issues Totaled \$400 Million

Series	Date of Sales	(\$ in millions)		All-In True Interest Cost (TIC)
		Tax-Exempt: New Money Competitive	Taxable: New Money Competitive	
2023 1 Series	3/15/23	\$350.0	\$50.0	2.968%

There have been no General Obligation Bonds Issued in Fiscal 2024 YTD

GO Bonds Issuance History Fiscal 2019 - 2023

- \$6.12 billion in General Obligation Bonds issued since July 1, 2018:
- \$5.34 billion in tax-exempt bonds (decrease of \$1.5B from previous 5 years)
- \$7.81 million in taxable bonds (decrease of \$4.8M from previous 5 years)

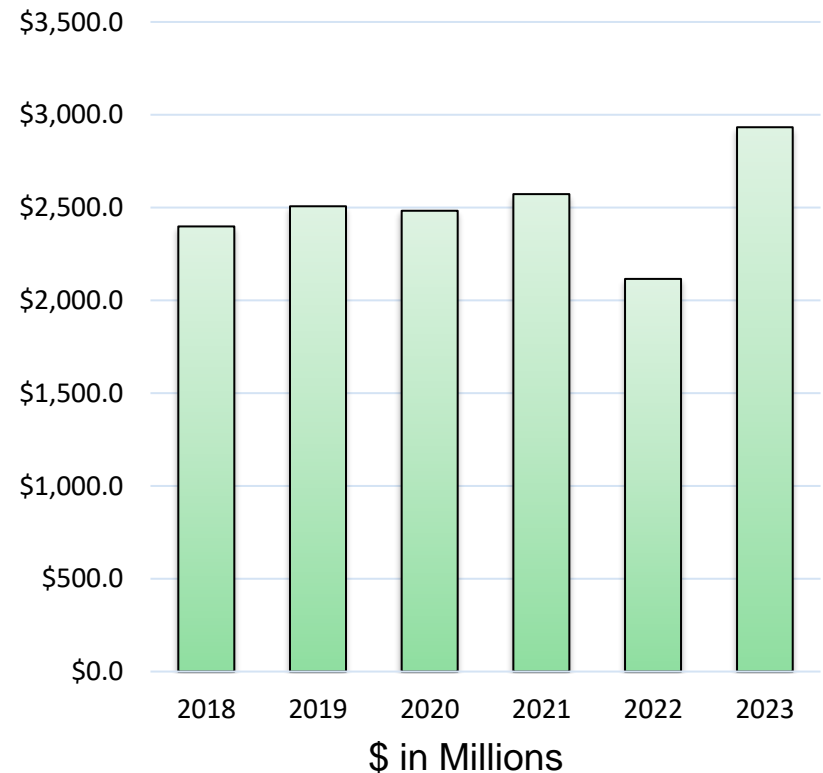


*Amounts reflected above Include new money issuances and refundings. 3

Outstanding GO Debt and Amounts Authorized but Unissued

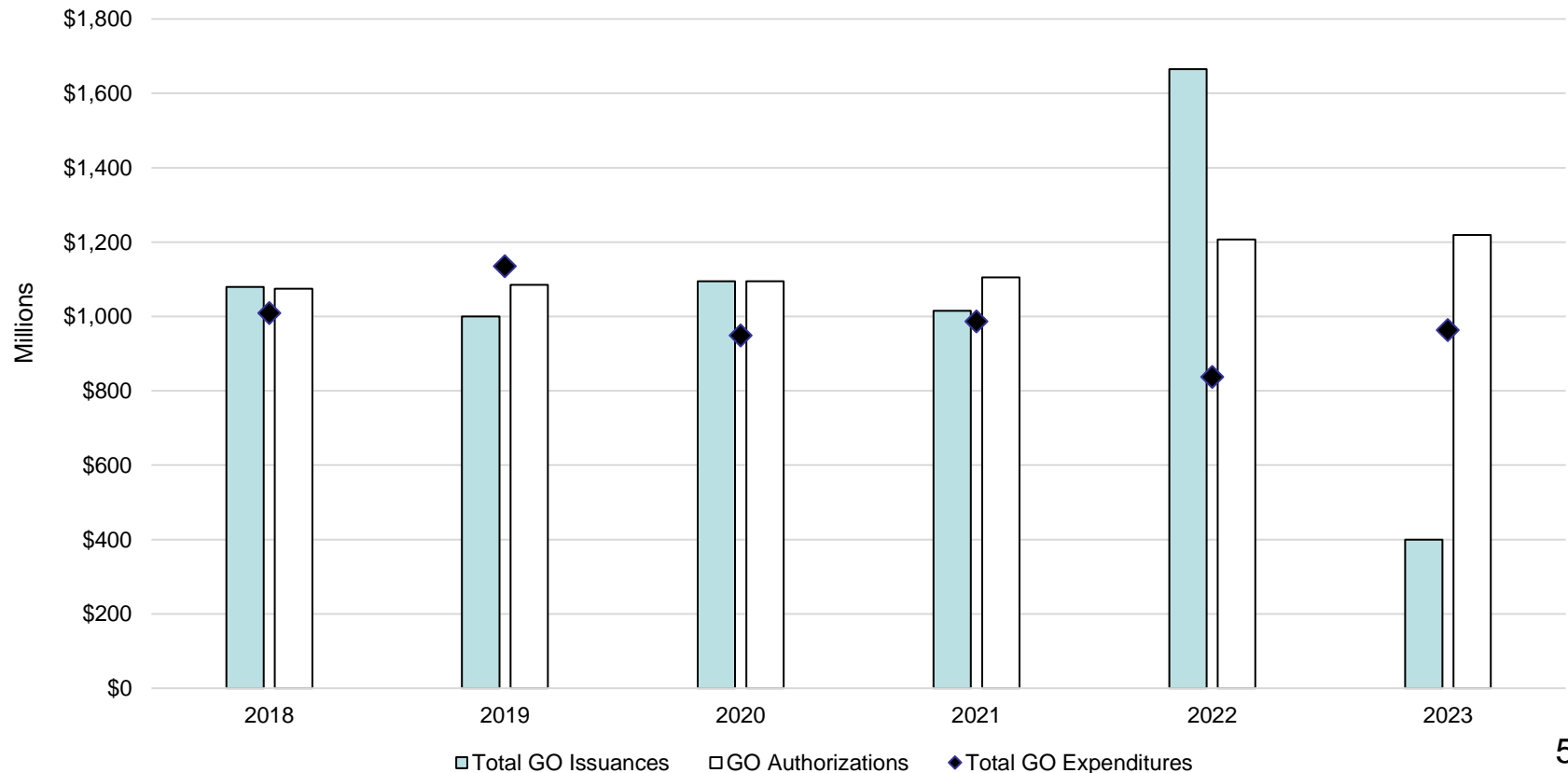
- General obligation debt outstanding:
 - \$10.0 billion was outstanding as of June 30, 2023
 - \$696.2 million retired since June 30, 2023
 - **\$9.3 billion outstanding as of October 16, 2023**
- \$2.93 billion of general obligation debt was authorized but unissued as of June 30, 2023.

Authorized But Unissued Fiscal 2018 - 2023



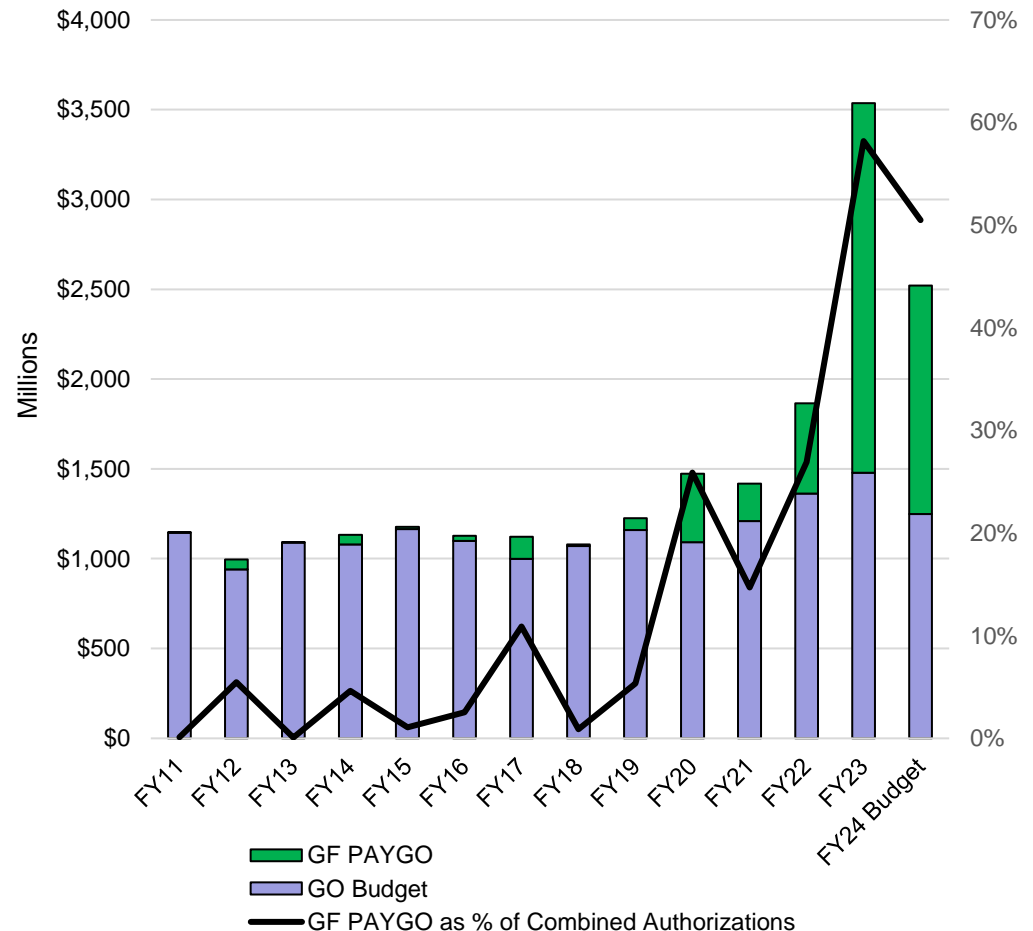
What's Going On With Capital Spending?

Prior to fiscal 2022, GO Bond debt issued aligned closely with new project authorizations and expenditures.

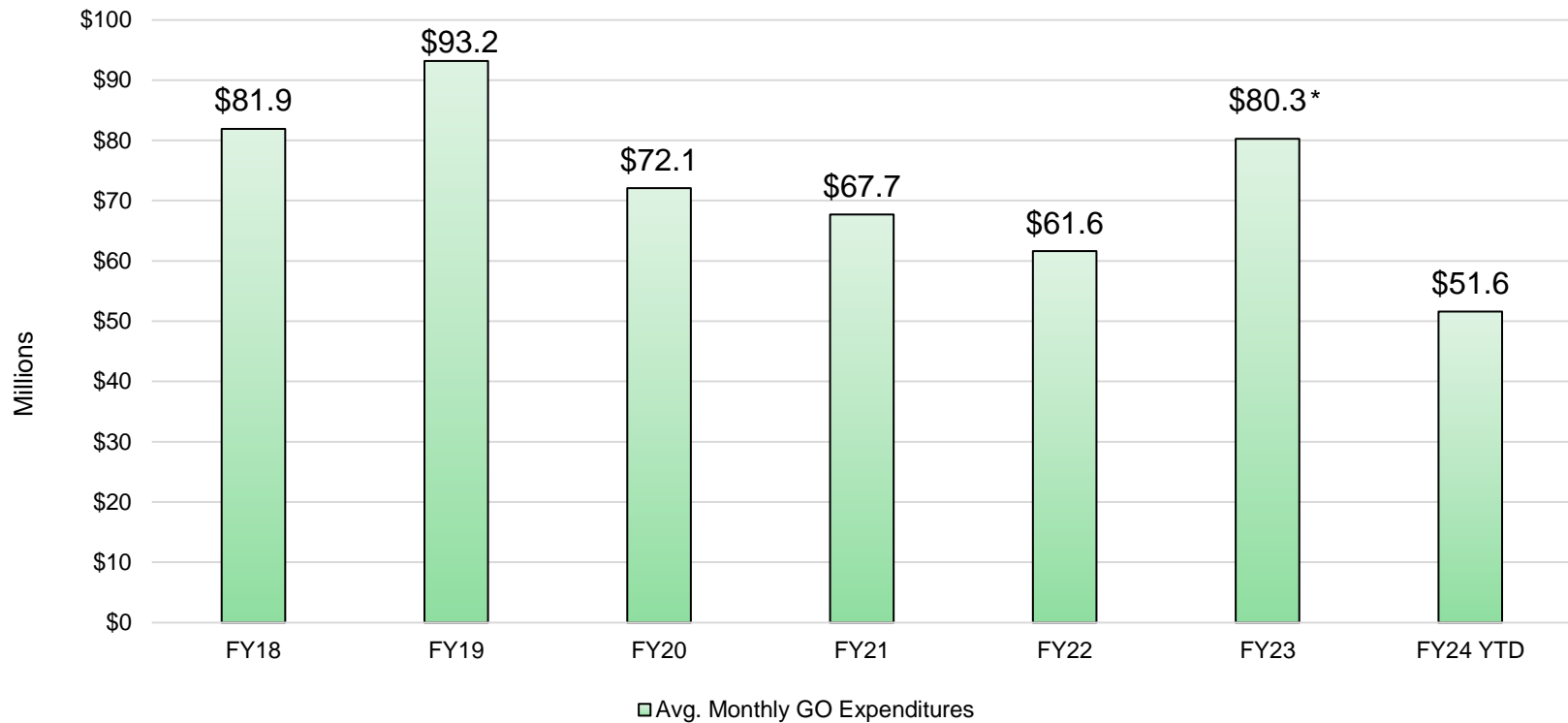


Growth in the Capital Budget – GO Bond and GF PAYGO Authorizations

- Largely due to unprecedented one-time cash balances, GO Bond and GF PAYGO authorizations for FY22-24 combined have exceeded the average authorization for the previous decade by nearly \$4.4 billion.
- GF PAYGO accounted for nearly 60% of the combined authorizations in FY23, compared to 7% prior to FY22.

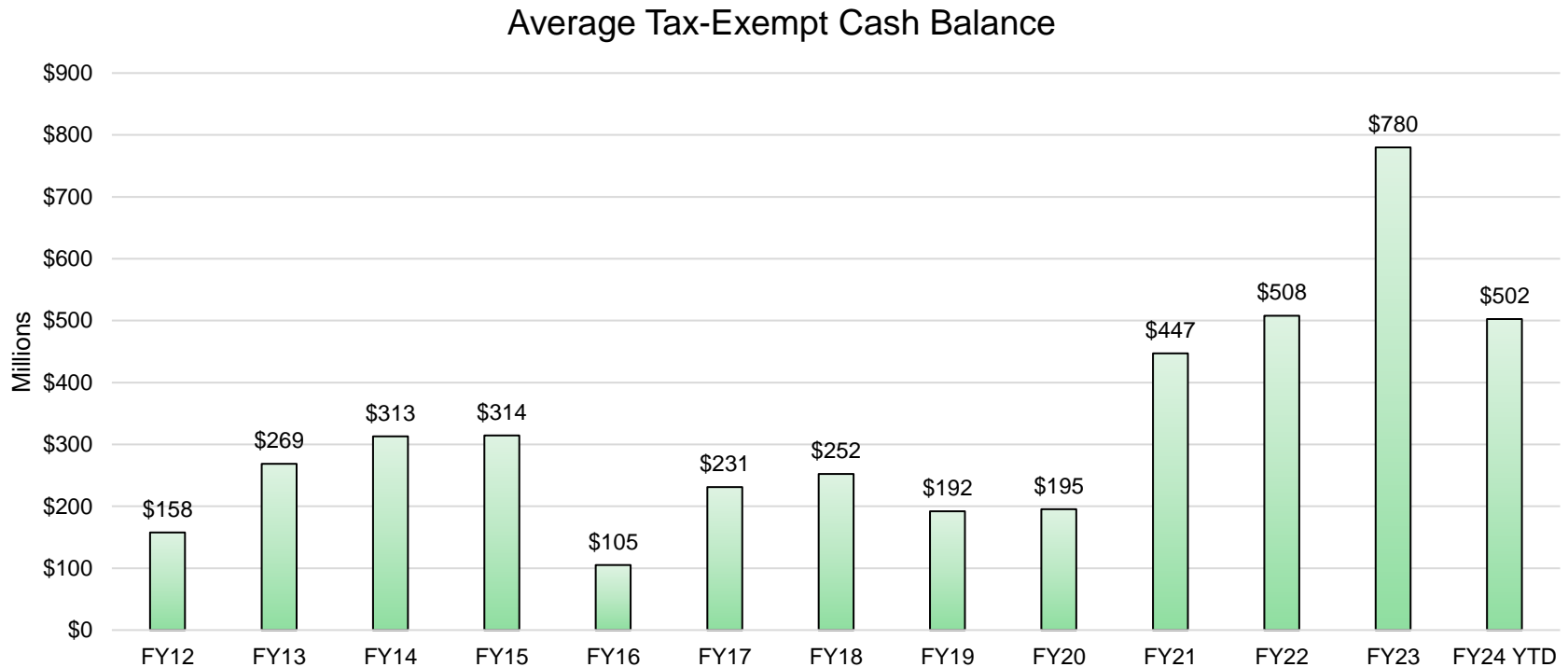


Combined with Slower GO Spending



* FY23 average monthly spending includes the one-time allocation of \$237M in block grants to LEAs. Absent these funds, average monthly GO spending was \$60.5M

Have Led to High Cash Balances



CDAC may wish to consider these factors in determining an appropriate authorization and issuance schedule.

Capital Budget Authorization History

In October 2022, the CDAC voted 3-2 to recommend an authorization of \$600 million for fiscal 2024 and 2025 in light of higher than anticipated cash balances from one-time revenue sources. The committee further projected restoring fiscal 2026 issuances to prior estimates and increasing by \$10 million annually thereafter.

In December 2022, the Spending Affordability Committee recommended an authorization of \$1.205 billion for fiscal 2024 with 4% annual growth in subsequent years, consistent with the prior year's SAC recommendation.

In January 2023, the Governor proposed a capital budget authorizing \$1.205 billion in fiscal 2024 and maintaining a level amount throughout the 5-year CIP.

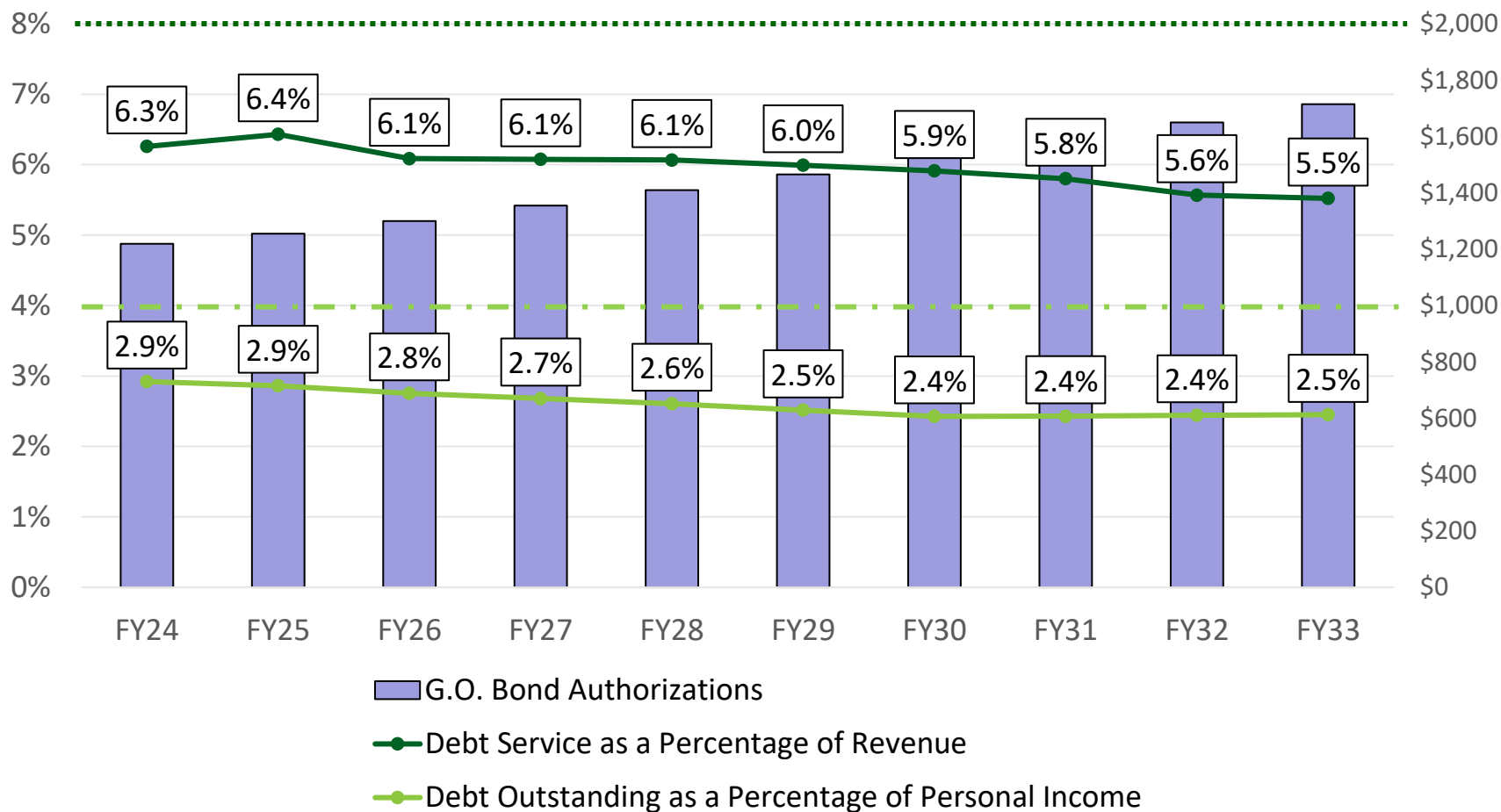
The net final authorization amount approved for the fiscal 2024 capital budget during the 2023 Legislative Session was \$1.248 billion.

Current Projections for Future Issuances

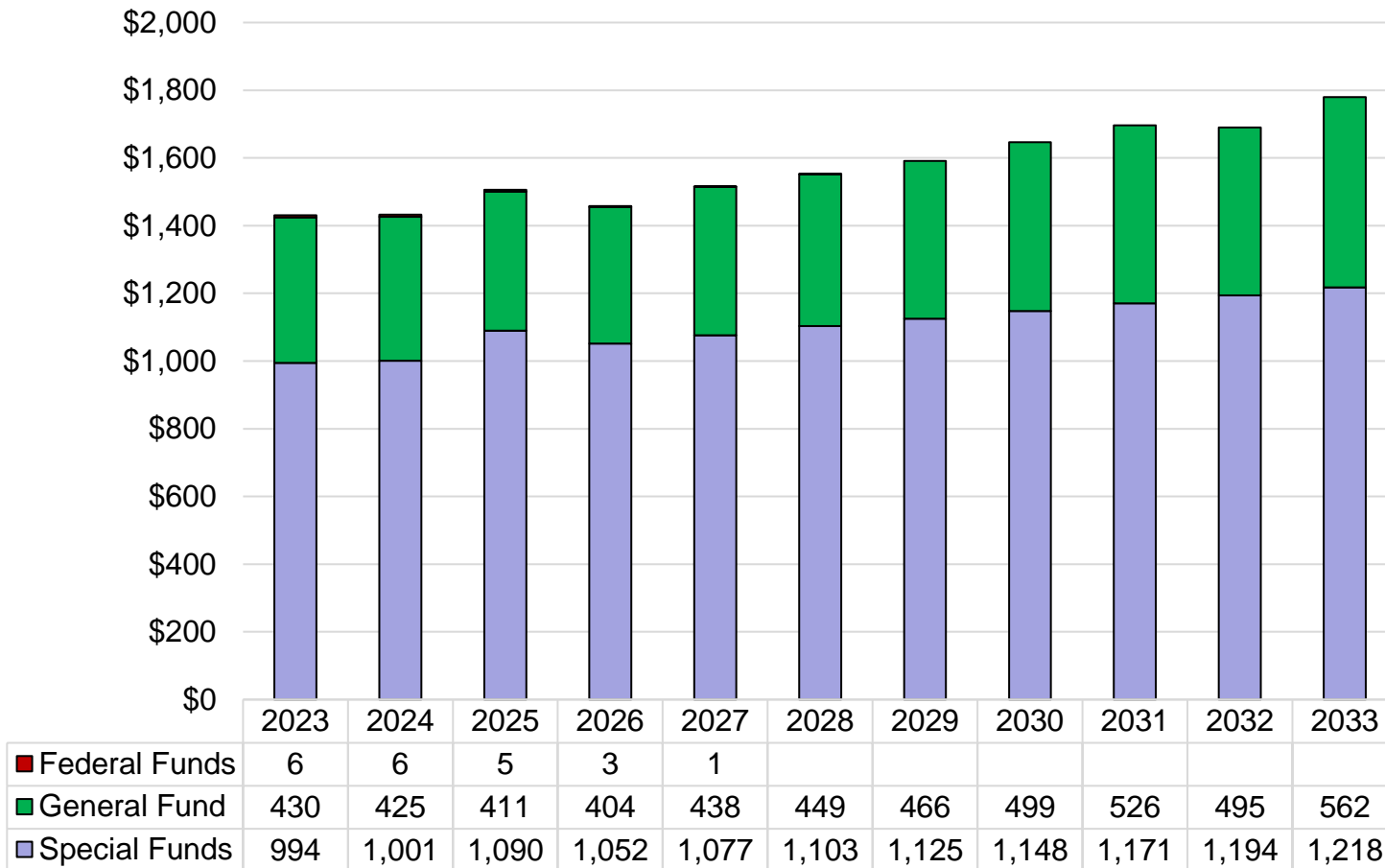
The following figures are based on the 2022 Spending Affordability Committee authorization recommendation, which presents the highest proposed authorization profile:

<u>Fiscal Year</u>	<u>Authorizations</u>	<u>Issuances</u>
2024	\$1,205	\$1,220
2025	\$1,255	\$1,245
2026	\$1,300	\$1,275
2027	\$1,355	\$1,310
2028	\$1,410	\$1,335
2029	\$1,465	\$1,385

Affordability Benchmarks



Ten Year Debt Service Projections



All \$ figures in millions. FYs 2024-2033 are projections which are preliminary and subject to change.

Status of Refunding Potential

An analysis is prepared by the State's financial advisor before each bond sale to determine the financial feasibility of a refunding.

The State has been aggressive in pursuing refunding savings while interest rates were at historically low levels, resulting in a debt service savings of \$121.9 million over the past five fiscal years to date.

The rising interest rate environment limits refunding potential; however, the State will continue to evaluate refunding potential in advance of the 2024 First Series sale.

Use of Variable Rate Debt, Bond Insurance, Derivatives, and Guaranteed Investment Contracts

The State is authorized to issue variable interest rate bonds in an amount no more than 15% of the outstanding general obligation indebtedness. As of today, the State has not issued any variable rate debt and has not executed any derivatives. The State did not enter into any new Guaranteed Investment Contracts related to the issuance of general obligation bonds in FY 2023.

Because of the State's strong credit profile, perception in the market and maintenance of its AAA credit rating, there has been no need for bond insurance.

Capital Lease Update for the 2023 Capital Debt Affordability Committee

Presented by
Tanya M. Mekeal, Debt Manager/Lease Administrator
Maryland State Treasurer's Office

October 13, 2023

Topics of Discussion

- Capital Lease Overview
- Tax-Supported Equipment Leases included in the CDAC Analysis
- Tax-Supported Energy Leases included in the CDAC Analysis
- Capital Equipment and Energy Lease Activity for Fiscal Year 2023
- Projections of Future Tax-Supported Lease Financings
- Update on Government Accounting Standards Board (GASB) Statement No. 87, Leases (GASB-87)

Capital Lease Overview

- The Treasurer's Office, on behalf of the Board of Public Works, determines the size, timing, and method to finance capital assets for State agencies and manages the lease procurement and payment of debt service.
- **Capital Facility Leases** allow facilities to be purchased through a lease with terms ranging from 15 – 25 years. Facility leases are included in the CDAC analysis.
- **Equipment Leases** allow State agencies to finance capital equipment over a period of time. Terms are typically 3 and 5 years, although equipment may be leased for up to 15 years if the useful life of the equipment can sustain the term of the lease. These leases are included in the CDAC analysis.
 - Financed equipment is required to:
 - Have a useful life at least as long as the financing term and the cost should be a material amount;
 - Be repossessable and easily identifiable.
- **Energy Leases** are for energy performance projects at State facilities and are now limited to a 30-year term based on recent legislation. If utility savings offset the debt service costs, energy leases are not included in the CDAC analysis.

Tax-Supported Capital Leases in the CDAC Analysis

The following table summarizes the current tax-supported capital leases included in the 2023 CDAC Affordability Analysis.

<i>FY 2023 Tax-Supported Lease Financings Outstanding</i>			
State Agency	Equipment and Facilities Financed	Principal Amount Outstanding as of 6/30/2023	Debt Service for FY 2023
State Treasurer's Office on behalf of State Agencies	Capital Equipment - Various communications, computers and other equipment	\$ 12,014,611	\$ 4,203,315
State Treasurer's Office on behalf of State Agencies (w MSA)	Energy Performance Projects	\$ 1,991,463	\$ 1,975,448
Department of Transportation	Shuttles	\$ 18,625,000	\$ 2,057,400
Department of General Services	Prince George's County Justice Center	\$ 9,097,857	\$ 1,515,793
Transportation Authority	State Office Parking Facility	\$ 12,352,000	\$ 1,477,543
Department of Health	Public Health Lab	\$ 93,005,000	\$ 13,991,163
Total Tax-Supported Leases*		\$ 147,085,932	\$ 25,220,662

*Maryland Stadium Authority reports the Stadium Authority Capital leases in their debt. Totals may not add due to rounding

Tax-Supported Energy Leases included in the CDAC Analysis

The following table summarizes the current energy leases included in the 2023 CDAC analysis. An energy lease is included in the CDAC analysis if it lacks a surety guaranty, meaning debt service **may not** be offset by utility savings.

<i>FY 2023 Tax-Supported Energy Lease Financings Outstanding</i>		
State Agency	Principal Amount Outstanding as of 6/30/2023	Debt Service for FY 2023
University of Baltimore	\$ 639,828	\$ 649,125
Veteran's Affairs	82,334	56,638
Stadium Authority (Ravens)*	0	131,616
Stadium Authority (Oriole Park)*	0	358,216
MD Port Administration	1,269,301	779,853
Total *	\$ 1,991,463	\$ 1,975,448

Note: The listing does not include energy leases with a surety guaranty, which ensures that debt service will be fully offset by utility savings.

*Maryland Stadium Authority reports the Stadium Authority Capital leases in their debt. Totals may not add due to rounding.

Capital Equipment and Energy Lease Activity in Fiscal Year 2023

Equipment:

Summary of the Lease Terms for Equipment Financed Fiscal Year 2023	
3 year leases	\$ 4,664,801.01
5 year leases	\$ 765,393.50
Total	\$ 6,097,105.30

Energy:

No energy leases were financed during fiscal year 2023.

Projections of Future Tax-Supported Lease Financings in the CDAC Analysis

Types of Financing	Period	CDAC projections as of June 2023*
Equipment Leases (1)	Fiscal Years 2024 – 2026	\$13.5 million for FY 2024 \$3.6 million in FY 2025 \$2.8 million in FY 2026
Energy Leases (2)	Fiscal Years 2024 – 2025	\$20.0 million (3)

(1) Fiscal Year 2024 - 2026 estimates are based on agency surveys.

(2) All of the projected Energy Lease financings include projects that will have surety bond guarantees that equal or exceed the debt service payments through out the term of the lease; therefore, these projects are not included in the CDAC Affordability Analysis.

(3) DGS estimates that up to \$20.0 million in energy projects through FY 2025 based on continuing evaluation of the project sites.

* Preliminary, subject to change.

Update on Governmental Accounting Standards Board (GASB) Changes to Lease Accounting

- The Government Accounting Standards Board issued GASB Statement No. 87, Leases (GASB-87) in June 2017. GASB-87 requires all leases to be reported as capital leases and eliminates the classification of an operating lease unless the lease is short-term.
- During the final voting meeting for the 2022 CDAC the Treasurer's Office presented a sensitivity analysis to estimate how these leases might affect the CDAC ratios. At that time the figures used were inflated to show an amount of lease activity that may cause a change in the ratios.
- The General Accounting Division (GAD), as well as individual State Agencies, have gone through the process of reconciling this new standard as it applies to fiscal year 2022.

GASB-87 Lease Workgroup

- Following internal analysis and consultation with financial advisors, the Treasurer's Office staff hosted a workgroup meeting to discuss the impact of the State's debt affordability calculations based on various scenarios.
- The committee discussed the following scenarios:
 - Maintain current practice
 - Consider all 13+ month leases as capital based on data provided by GAD
 - Removal of leases from the affordability calculation

Analysis Findings

- STO analysis presented to the Workgroup found that capacity existed to absorb up to \$4B in additional debt and remain within affordability ratios.
 - 2022 ACFR data indicated cumulative principal of \$555M over 10 years
- Concerns raised with aligning CDAC to GASB-87 include
 - data lag between ACFR data and CDAC process;
 - Including leases in the debt affordability calculation that would not traditionally be funded through the capital program;
 - Ongoing questions regarding unknown future lease obligations and the potential to severely limit future issuance capacity

Lease Workgroup Recommendation is to Maintain Current CDAC Definitions

- At least one criteria below must be met to be classified as a *capital lease* (and therefore be considered *tax-supported debt* by CDAC):
 - Ownership of the property transfers to the lessee by the end of the lease term;
 - Allows the lessee to purchase the property at fair market value at fixed points and for fixed amounts;
 - The term is 75% or more of the useful life of the property; or
 - The PV of the lease payments is $\geq 90\%$ of the fair value of the property.
- If none of the above criteria apply, the lease is classified as an operating lease and CDAC does not consider it *tax-supported debt*.

Questions?

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MDOT's Tax-Supported Debt

Presentation to the Capital Debt Affordability Committee

Jaclyn Hartman

Assistant Secretary of Transportation Investments

October 13, 2023



Consolidated Transportation Bonds

Structure:

- Fixed rate
- Interest only first 2 years
- Maximum maturity of 15 years
- Level debt service payments
- Repayment – pledged tax revenue from vehicle excise, motor fuel, corporate income, and sales tax on rental vehicles

Variable rate debt, swaps and bond insurance:

- None

Bond Insurance:

- Not needed because of MDOT's stable credit profile



Credit Ratings

Standard & Poor's – AAA (affirmed 9/15/2021)

Moody's – Aa1 (affirmed 9/15/2021)

Fitch – AA+ (affirmed 8/15/23)



Bond Coverage

Additional Bonds Tests:

- Pledged taxes – ratio of prior year pledged taxes to maximum annual debt service
 - Requirement of at least 2.0 times coverage, management practice of at least 2.5 times coverage
 - FY 2023 estimated coverage of 5.1
- Net income – ratio of prior year income less operating expenses to maximum annual debt service
 - Requirement at least 2.0 times coverage, management practice of at least 2.5 times coverage
 - FY 2023 estimated coverage of 4.2



Outstanding Debt

Debt Outstanding Limits:

- Statutory debt limit – \$4.5 billion
- Annual debt limit – \$3.3 billion (FY 2023)

Amount of Debt Outstanding:

- FY 2023 – \$3.3 billion

Amount authorized but unissued:

- Authorized – \$3.3 billion (as of June 30, 2023)
- Authorized but not issued – \$24.2 million



Debt Issued in Previous Five Fiscal Years

Series	Sale Date	New Money (\$ in millions)	Refunding (\$ in millions)	True Interest Cost (TIC)
Series 2022B*	9/30/2021		\$143.6	1.358%
Series 2022A*	9/30/2021		\$52.4	.909%
Series 2021B	9/29/2021		\$139.2	.657%
Series 2021A	9/29/2021	\$295.0		1.731%
Series 2020	10/07/2020	\$300.0		1.58%
Series 2019	10/02/2019	\$490.0		2.08%
Series 2018 (2)	9/18/2018	\$630.7		3.079%
Total		\$1,715.7	\$335.2	



Planned Issuances

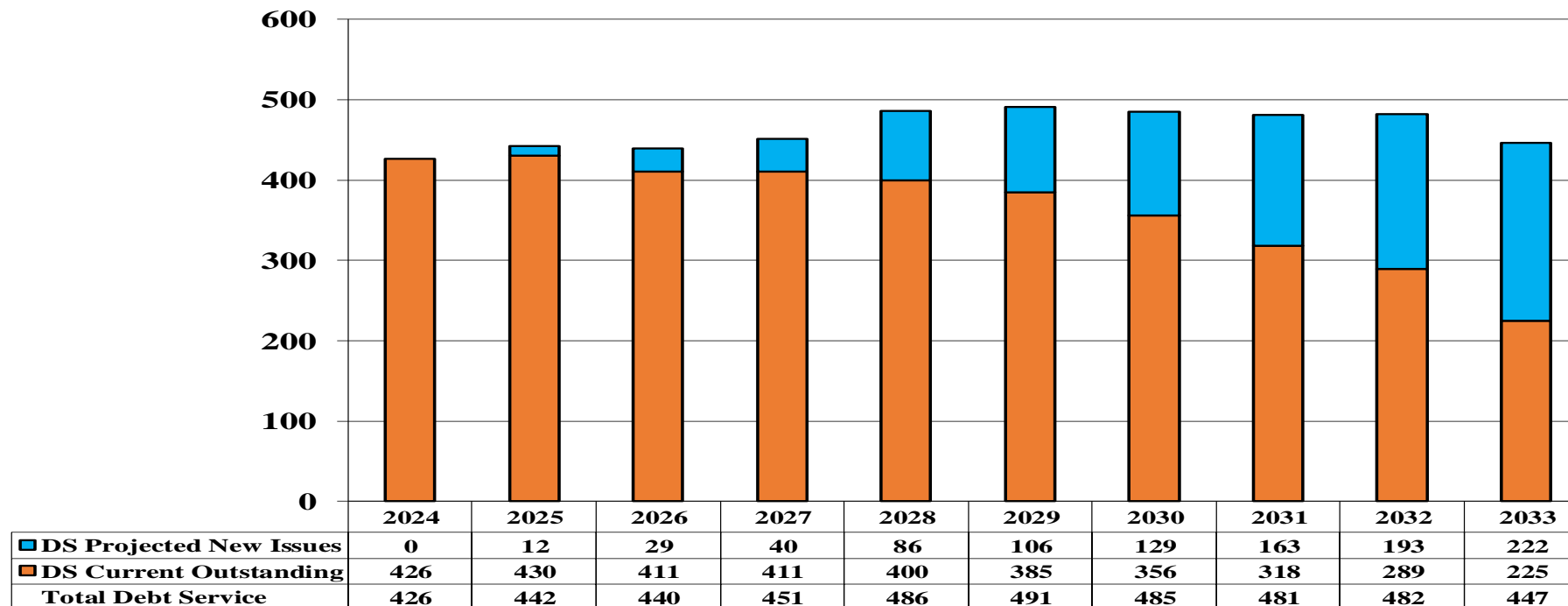
(\$ in millions)

Fiscal Year	Debt Outstanding at Beginning of Year	New Issues	Redeemed	Debt Outstanding at End of Year
2024E	\$3,297	\$0	\$292	\$3,005
2025E	\$3,005	\$565	\$310	\$3,260
2026E	\$3,260	\$215	\$306	\$3,169
2027E	\$3,169	\$325	\$321	\$3,172
2028E	\$3,172	\$285	\$360	\$3,098
2029E	\$3,098	\$130	\$373	\$2,855
2030E	\$2,855	\$120	\$377	\$2,599
2031E	\$2,599	\$580	\$374	\$2,805
2032E	\$2,805	\$560	\$364	\$3,001
2033E	\$3,001	\$505	\$318	\$3,188

(E = based on FY24 Qtr 1 Estimates)



Debt Service Projections





Bonds Backed by Future Federal Aid

- Chapter 455 of 2023 expands the use of bonds supported repaid by federal aid (also known as Grant Anticipation Revenue Vehicle Bonds)
- Debt may be issued for certain projects enumerated in law
- Debt outstanding limit established at \$1 billion
- Debt maturity capped at 15 years
- Debt is no longer required to be included in CDAC debt affordability calculations and determination will depend on the structure of each bond issuance
- There currently is no debt outstanding and no issuances planned



Maryland Stadium Authority Briefing

Capital Debt Affordability Committee

October 13, 2023

Maryland Stadium Authority

- Debt Issued over the past five years

Fiscal Year	Amount	Purpose
2019	\$55,000,000	Issued two series of bonds, Series 2019A was for \$20.6 million of tax-exempt lease revenue bonds with the proceeds being used for various projects at M & T Bank Stadium. The second series, 2019B, was a taxable lease revenue bond with the proceeds used for various capital projects on the warehouse, parking lot controls and improvements to the walkway between the two stadiums.
2020	\$20,915,000	Issued Series 2019C for the expansion of the Ocean City Convention Center. General Funds will be required for debt service.
2021	\$524,295,000	<p>Series 2020A was the third and final series for the Baltimore City Public Schools Program. Par amount was \$194,035,000.</p> <p>Series 2020B was the “Green Bond” for Northwood Elementary school under the Baltimore City Public Schools program. Par amount was \$33,995,000.</p> <p>Series 2020C was a federally taxable refunding of certain maturities from the Series 2016 and Series 2018A bonds for the Baltimore City Public Schools. The par amount was \$296,265,000 and generated about \$60 million of additional proceeds for the Baltimore City Public Schools program.</p>



Maryland Stadium Authority

- Debt Issued over the past five years

Fiscal Year	Amount	Purpose
2022	\$687,580,000	<p>Issued the Series 2021, the first series of bonds issued for the Built to Learn Program, in October 2021. Par amount was \$256,955,000.00.</p> <p>Issued the Series 2022A ,for the Hagerstown Multi-Use Sports and Event Facility, in March 22022. Par amount was \$57,555,000.00. This series is included in the capital debt affordability calculations since a Master Lease is security pledge.</p> <p>Issues the Series 2022A, the second series of bonds for the Built to Learn Program, in March 2022. Par amount was 373,070,000.00.</p>
2023	\$418,230,000	<p>Issued Series 2023A & Series 2023B bonds, to finance certain renovations and improvements at M&T Bank Stadium, in July 2023. The maximum aggregate principal amount of the issuance is \$418,230,000. The par amount of Series 2023A was \$225,730,000. Series 2023B consists of \$115,000,000 in 4-year taxable draw down facility, after which the remaining principal amount of up to \$77,500,000 converts to a tax-exempt fixed rates in July 2027.</p>



Maryland Stadium Authority

- FY 2023 Issuance
 - M&T Bank Stadium Revenue Bonds, Series 2023A
 - Tax-Exempt
 - Non-Tax-Supported Debt – financing fund pledge as the security
 - Par amount - \$225,730,000
 - Premium - \$26,417,074
 - Cost of Issuance – \$1,085,942
 - Project Funds - \$259,495,563
 - Capitalized Interest - \$7,367,576
 - Term – 15 years with a maturity of September 1, 2037
 - True interest cost – 3.425574%



Maryland Stadium Authority

- FY 2023 Issuance
 - M&T Bank Stadium Revenue Bonds, Series 2023B
 - Par amount - \$187,336,750
 - Series 2023B (Taxable LOC) - \$11,336,750
 - Series 2026B (Tax-Exempt Conversion) - \$115,000,000
 - Series 2027B (Tax-Exempt Conversion) - \$61,000,000
 - Premium – n/a
 - Cost of Issuance – \$290,500
 - Term – 15 years with a maturity of September 1, 2037
 - True interest cost – 4.327209%



Maryland Stadium Authority

- Amount of Outstanding Debt and Revenues

Fiscal Year\$0	Amount Outstanding	Tax Supported Bonds and Equipment	Revenue Bond	Energy (tax supported debt)	Debt Service for Tax Supported and Energy	Revenues (Lottery/ Camden Yards Operating Revenue and \$2 ticket charge)
2023	\$2,356,865,000	\$142,020,000	\$2,214,845,000	\$0	\$19,513,249	\$19,513,249
2024	\$2,312,005,000	\$129,470,000	\$2,182,535,000	\$0	\$19,029,598	\$19,029,598
2025	\$2,250,310,000	\$117,795,000	\$2,132,515,000	\$0	\$17,693,320	\$17,693,320
2026	\$2,192,675,000	\$106,320,000	\$2,086,355,000	\$0	\$16,688,402	\$16,688,402
2027	\$2,128,820,000	\$102,155,000	\$2,026,665,000	\$0	\$8,755,149	\$8,755,149
2028	\$2,061,625,000	\$97,820,000	\$1,963,805,000	\$0	\$8,758,395	\$8,758,395
2029	\$1,992,500,000	\$93,310,000	\$1,899,190,000	\$0	\$8,757,203	\$8,757,203
2030	\$1,920,180,000	\$88,615,000	\$1,831,565,000	\$0	\$8,757,199	\$8,757,199
2031	\$1,844,495,000	\$83,725,000	\$1,760,770,000	\$0	\$8,756,814	\$8,756,814
2032	\$1,765,240,000	\$78,625,000	\$1,686,615,000	\$0	\$8,761,621	\$8,761,621
2033	\$1,682,285,000	\$73,310,000	\$1,608,975,000	\$0	\$8,761,082	\$8,761,082
2034	\$1,584,440,000	\$67,785,000	\$1,516,655,000	\$0	\$8,758,061	\$8,758,061
2035	\$1,482,300,000	\$62,055,000	\$1,420,245,000	\$0	\$8,753,200	\$8,753,200
2036	\$1,388,010,000	\$56,110,000	\$1,331,900,000	\$0	\$8,752,909	\$8,752,909
2037	\$1,276,695,000	\$49,925,000	\$1,226,770,000	\$0	\$8,762,348	\$8,762,348



Maryland Stadium Authority

- Fixed Rate Debt Ratings

Series	S&P	Moody's	Fitch
2004	AA+	Aa2	AA
2012 HPAC	AA+	Aa2	AA
2012 MCCC	AA+	Aa2	AA
2016	AA-	Aa3	AA
2018A	AA-	Aa3	AA
2019A	AA+	Aa2	AA+
2019B	AA+	Aa2	AA+
2019C	AA+	Aa2	AA+
2020A,B,&C	AA-	Aa3	AA
2021	AA	A1	A+
2022A Hagerstown	N/A	Aa2	AA+
2022A BTL	AA	A1	A+
2023A&B	A+	Aa2	AA



Maryland Stadium Authority

Maryland Stadium Authority Summary of Swaps and Variable Rate Demand Bonds as of June 30, 2023	
	Sports Facilities Lease Revenue Refunding Bonds Football Stadium Issue
Series Name	Series 2007
Tax Status	Tax-Exempt
Dated Date	2/8/2007
Original Issue Par	\$73,500,000
Current Outstanding	\$17,265,000
Maturity	3/1/2008 – 2026
Remarketing Agent	Goldman Sachs & Co.
Current Remarketing Rate	5 Basis Points
Liquidity/LOC Provider	SBPA: Sumitomo
LOC Expiration	3/1/2026
Current LOC Fee	45 Basis Points
Current Reset Frequency	7-Day
Date of Last Reset	10/5/2022
Reset Rate	2.44%
Hedges	Synthetic Fixed Rate (MSA paid Fixed Amounts = 5.69% - 5.8%, receives SIFMA)
Counterparty	Barclays



Maryland Stadium Authority

- Variable Rate Debt Ratings

Series	S&P	Moody's	Fitch
2007 Short Term	A-1+	VMIG 1	F1+
2007 Long Term	AA+	Aa2	AA



Maryland Stadium Authority

- Current projections for new issuances
 - FY 2024
 - Sports Entertainment Facilities Revenue Bonds
 - (Hagerstown Project), Series 2023A
 - » Tax-Exempt – 29 year
 - » Par Value - \$20,165,000
 - » Issuance Costs - \$162,698
 - » Construction Fund Deposit - \$20,000,000
 - » Annual Debt Service - \$1.35 million
 - (Minor League Baseball Projects), Series 2023B
 - » Tax-Exempt – 10 year
 - » Par Value - \$78,155,000
 - » Issuance Costs - \$630,582
 - » Construction Fund Deposit - \$20,000,000 each project (Arthur W. Perdue Stadium, Harry Grove Stadium, Prince George's Stadium, and Regency Furniture Stadium)
 - » Annual Debt Service - \$11.0 million
 - Closing Date – November 1, 2023



Maryland Stadium Authority

- Current projections for new issuances
 - FY 2024
 - Third series of Built to Learn
 - » New money issue
 - » Tax-Exempt - 30 year
 - » Par Value \$384,270,000
 - » Premium \$22,010,165
 - » Closing Costs \$1,260,675
 - » Construction Fund Deposit \$405,019,490
 - » Coupon – 5%
 - » True Interest Cost – 4.54%
 - » Annual debt Service is \$25.0 million
 - » Sale on or about winter/spring 2024
 - \$600 million Baseball Bonds
 - » Pending executed Lease by and between Baltimore Orioles & Maryland Stadium Authority





Maryland
Department of
the Environment

**Bay Restoration Fund (BRF)
Capital Debt Affordability Committee Briefing
October 13, 2023**

Jeffrey Fretwell, Director
Maryland Water Infrastructure Financing Administration
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410-537-4481

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www.mde.maryland.gov/wqfa

Bay Restoration Fund

Debt Issued in Prior Fiscal Years

FY	Amount (\$ Million)	Primary Purpose
2008	\$ 50.00	Provide grants for the Enhanced Nutrient Removal (ENR) upgrades at the 67 major Waste Water Treatment Plants (Estimated Total ENR Capital Cost \$1.2 billion)
2009	-	
2010	-	
2011	-	
2012	-	
2013	-	
2014	\$100.00	
2015	-	
2016	\$180.00	
2017	-	
2018	-	
2019	-	
Total	\$330.00	



Maryland
Department of
the Environment

Bay Restoration Fund

Existing Bonds/Refunding Potential

	<u>Series 2014</u>	<u>Series 2015</u>
Debt Issued:	\$100,000,000	\$180,000,000
Issue Date:	5/14/2014	12/03/2015
Ratings:	Aa3 (Moody's) AA (S&P)	Aa3 (Moody's) AA (S&P)
True Interest Cost:	2.55%	2.59%
Interest:	Fixed Rate	Fixed Rate
Final Bond Maturity:	3/1/2029	3/1/2030
Security:	BRF (WWTP) Fee	BRF (WWTP) Fee
Debt Service Reserve:	None	None
Optional Redemption After:	3/1/2024	3/1/2024
Refunding Potential:	No Savings	No Savings



BRF Current Outstanding Debt & Annual Debt Service (\$ Million)

<u>Fiscal Year Ending</u>	<u>Outstanding Debt</u>	<u>Annual Debt Service</u>
2008	50.000	0.000
2009	46.825	4.655
2010	44.185	4.710
2011	41.560	4.616
2012	38.820	4.614
2013	35.995	4.617
2014	133.055	4.614
2015	129.980	8.248
2016	301.615	14.330
2017	292.880	23.431
2018	273.590	31.756
2019	253.375	31.717
2020	232.075	31.827
2021	209.715	31.829
2022	186.245	31.823
2023	161.605	31.824
2024	140.360	27.216
2025	118.055	27.214
2026	94.715	27.134
2027	70.375	27.297
2028	44.905	27.697
2029	18.250	28.049
2030	0.000	18.798
2031	0.000	0.000



Maryland
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the Environment

Bay Restoration Fund

Total Debt Authorized and Amount Unissued

Debt Authorized through FY 2023 budget:	\$590,000,000
Debt Issued through end of FY 2023:	<u>\$330,000,000</u>
Future Authorized Debt Issuance:	\$260,000,000
Projected Future Debt Issuance (FY 2027):	\$100,000,000

Assumptions for future debt issuance

- Wt. Avg. Coupon Rate of 2.50% per year
- Annual Level Debt Service
- Maximum 3-Year Bond Term
- Final Debt Service Payment by FY 2030



Maryland
Department of
the Environment

Projected Debt Issuance, Debt Service Payments & Annual Revenue (\$ Millions)

Fiscal Year	New Issues	Debt Outstanding as on 6/30/Yr	Debt Service Payment for FY	Revenue (Cash)	
2008	50.000	50.000	0.000	55.068	Actual
2009	0.000	46.825	4.655	53.356	Actual
2010	0.000	44.185	4.710	54.818	Actual
2011	0.000	41.560	4.616	54.598	Actual
2012	0.000	38.820	4.614	54.552	Actual
2013	0.000	35.995	4.617	92.767	<< Fee Increase
2014	100.000	133.055	4.614	108.466	Actual
2015	0.000	129.980	8.248	111.785	Actual
2016	180.000	301.615	14.330	123.708	Actual
2017	0.000	292.880	23.431	112.678	actual
2018	0.000	273.590	31.756	113.530	actual
2019	0.000	253.375	31.717	114.201	actual
2020	0.000	232.075	31.827	107.609	actual
2021	0.000	209.715	31.829	109.311	Actual
2022	0.000	186.245	31.823	115.380	Actual
2023	0.000	161.605	31.824	115.679	Actual
2024	0.000	140.360	27.216	115.000	Projected
2025	0.000	118.055	27.214	115.000	"
2026	0.000	94.715	27.134	115.000	"
2027	100.000	170.375	27.297	115.000	"
2028	0.000	112.391	62.711	115.000	"
2029	0.000	52.409	63.063	115.000	"
2030	0.000	0.000	53.812	115.000	"
2031	0.000	0.000	0.000	58.000	<< Fee Decrease



Maryland
Department of
the Environment



**CAPITAL DEBT
AFFORDABILITY COMMITTEE**

Wes Moore, Governor
State of Maryland

Capital Debt Affordability Committee

Dr. Debra L. McCurdy
President

Aubrey Bascombe
Vice President – Finance & Administration
Baltimore City Community College

FRIDAY | OCTOBER 13, 2023

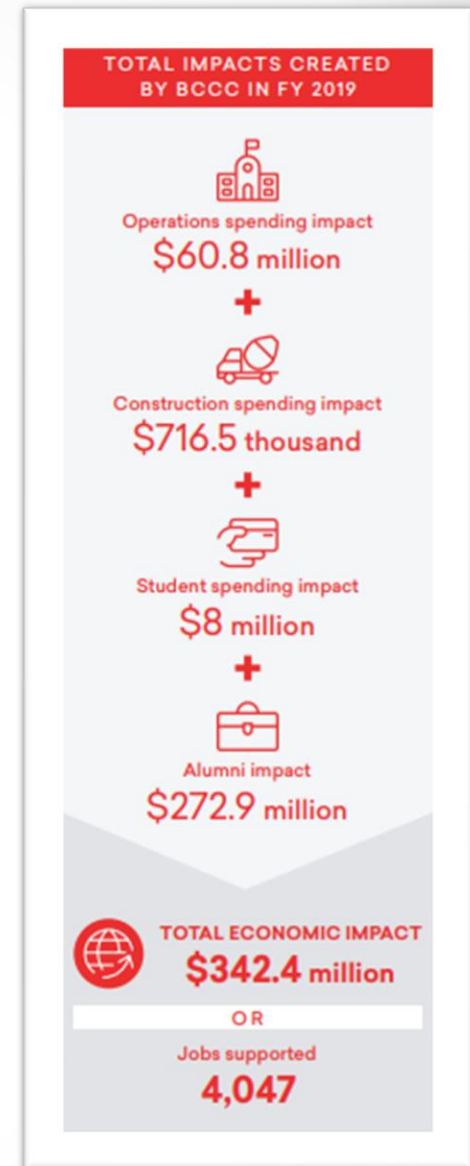
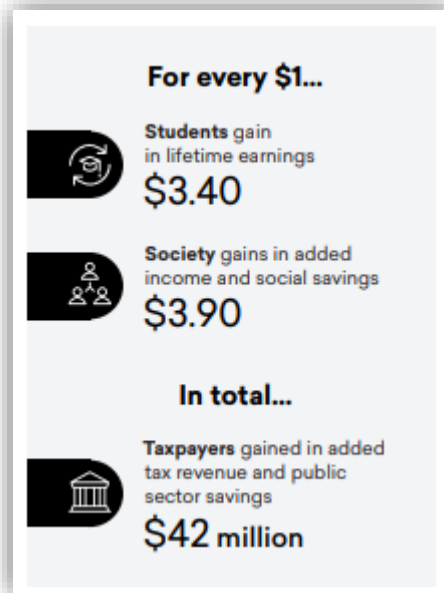
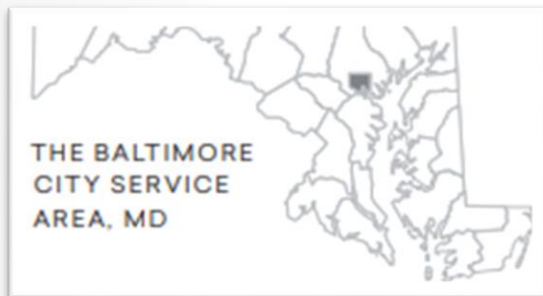
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- Economic Impact
- Student Enrollment
- Degrees & Certificates
- FY2025 Operating Budget
- Capital Debt Profile
- Five Year Capital Program
 - Learning Commons (Library)
 - Nursing Building
 - North Pavilion
 - Wellness Center
 - Facilities Building
 - Loop Road
 - Deferred Maintenance



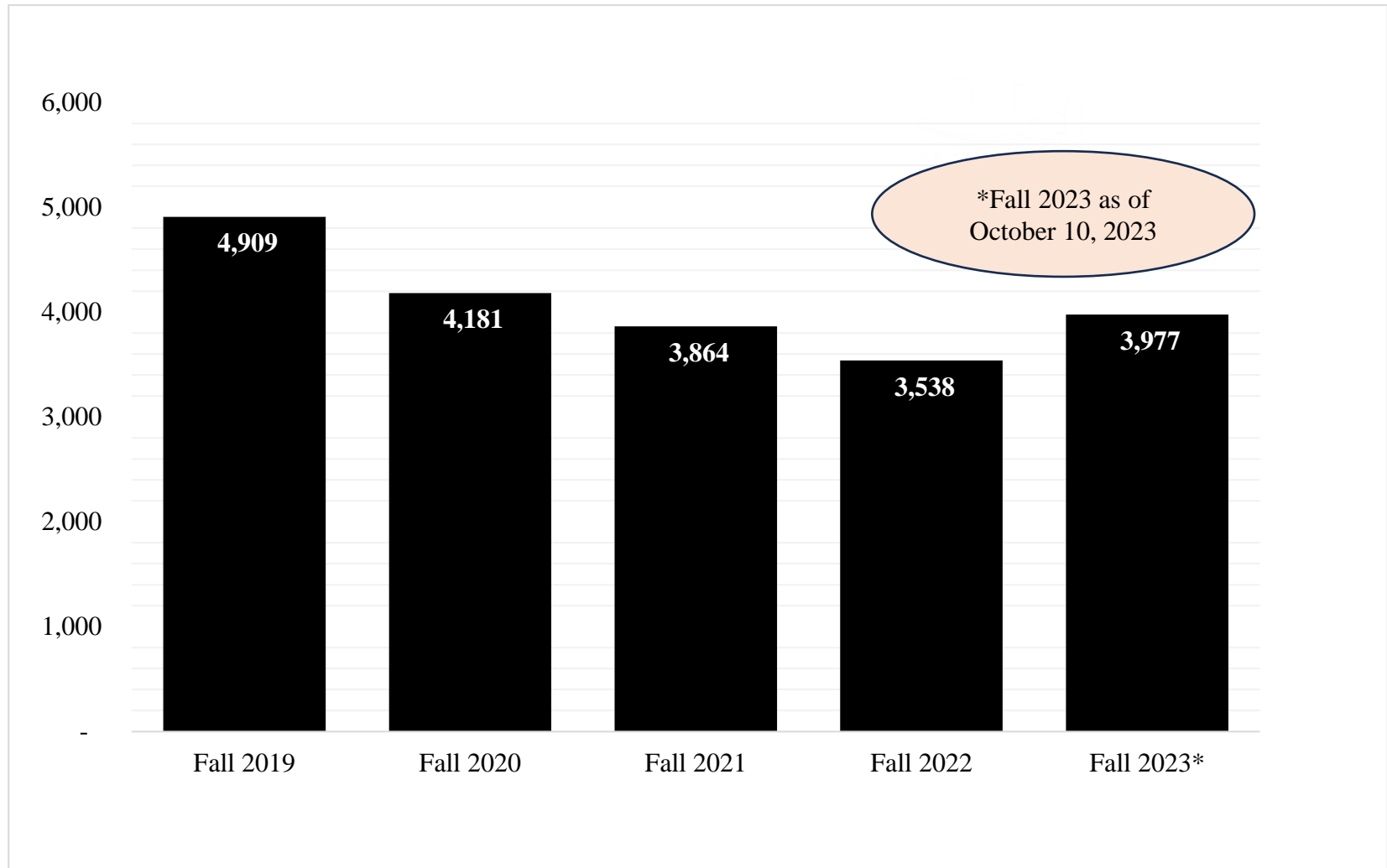
“Economic Impact”

BCCC added \$342.4 million in income to Baltimore City's economy and supported 4,407 jobs.



Source: "The Economic Value of Baltimore City Community College" published by Emsi Burning Glass, September 2021.

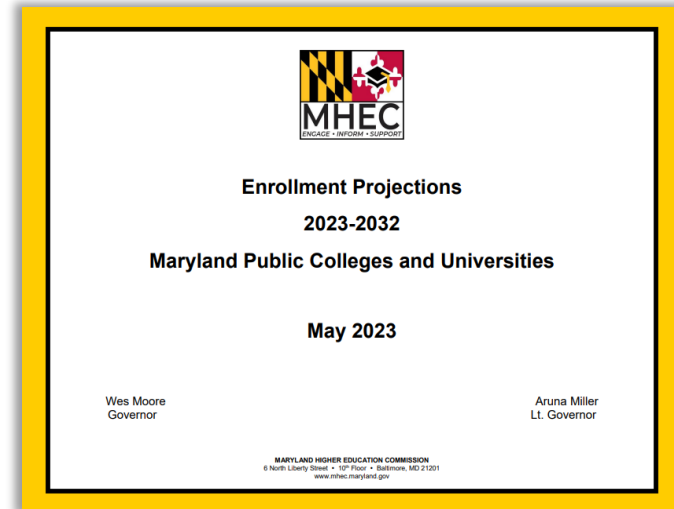
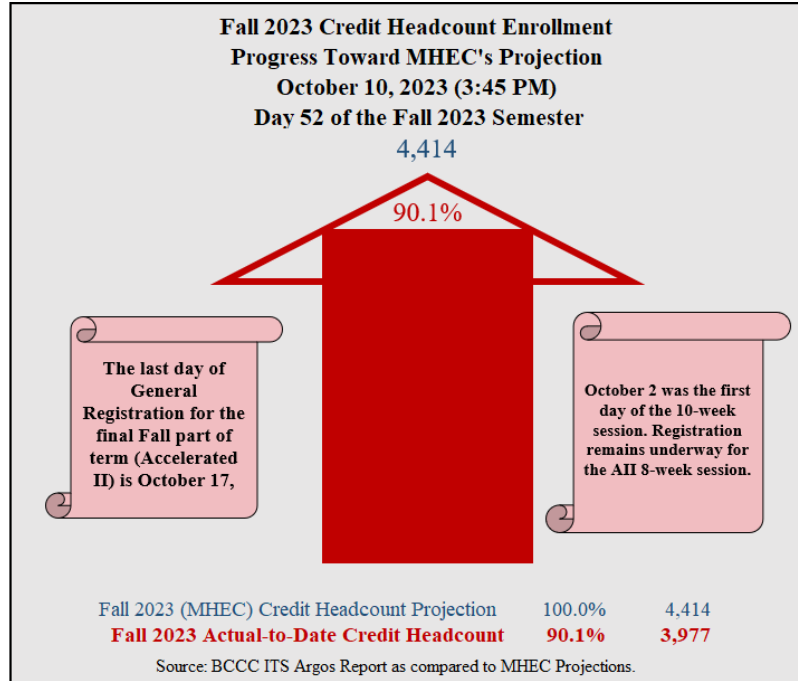
Trends in Credit Enrollment Fall 2019 – 2023*



Source: Performance Accountability Report submitted to MHEC and BCCC Student Information System



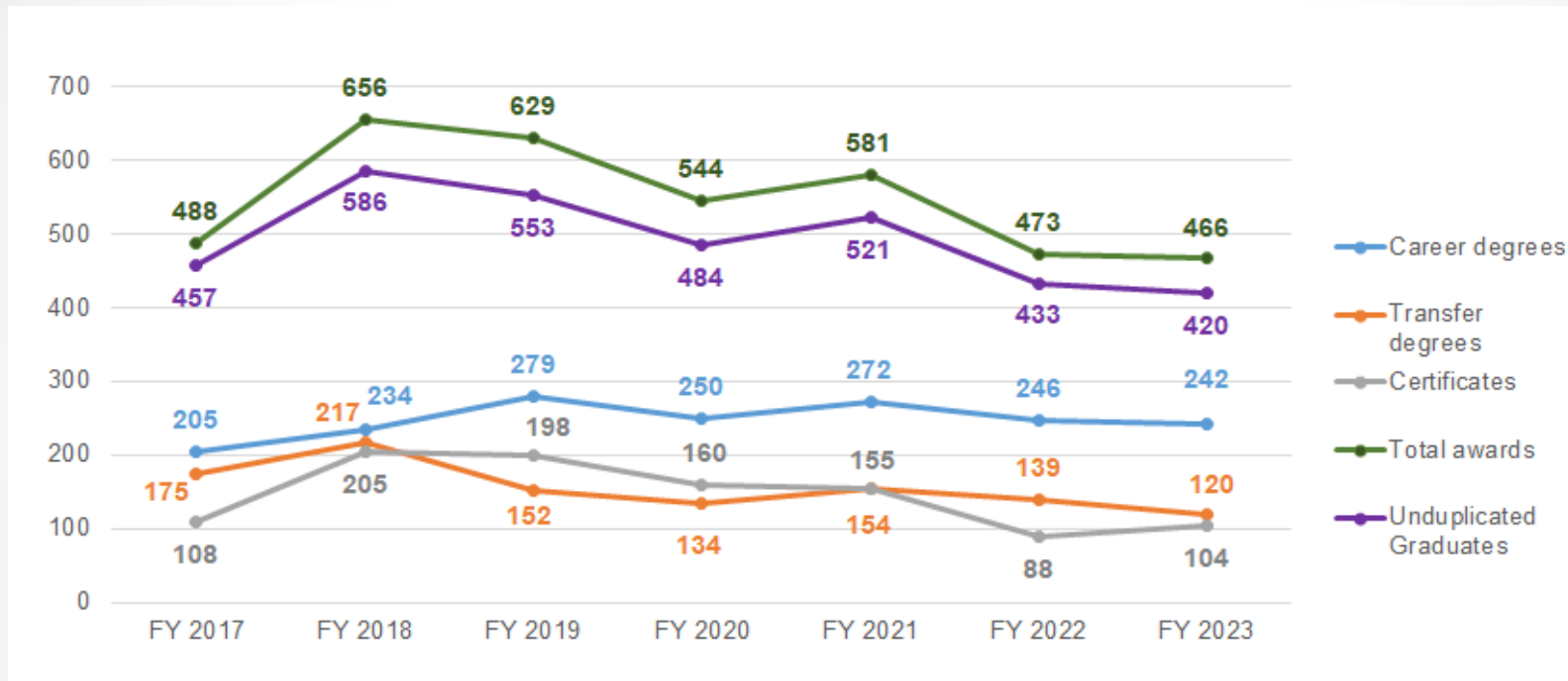
Credit Enrollment Projections: Fall 2023 – Fall 2032



	Fall 22 FY 23 Actual	Fall 23 FY 24 Projected	Fall 24 FY 25 Projected	Fall 25 FY 26 Projected	Fall 26 FY 27 Projected	Fall 27 FY 28 Projected	Fall 28 FY 29 Projected	Fall 29 FY 30 Projected	Fall 30 FY 31 Projected	Fall 31 FY 32 Projected	Fall 32 FY 33 Projected	% Change FY 23-33
Baltimore City Community College												
Full-time	847	1,149	1,163	1,177	1,178	1,178	1,178	1,179	1,179	1,186	1,192	41%
Part-time	2,691	3,265	3,295	3,325	3,335	3,346	3,356	3,366	3,377	3,389	3,400	26%
Total Headcount	3,538	4,414	4,458	4,502	4,513	4,524	4,534	4,545	4,556	4,575	4,592	30%
Total Community Colleges												
Full-time	28,117	38,170	38,641	39,102	39,117	39,127	39,141	39,157	39,168	39,385	39,602	41%
Part-time	66,717	80,070	80,800	81,532	81,790	82,046	82,294	82,550	82,808	83,100	83,380	25%
Total Headcount	94,834	118,240	119,441	120,634	120,907	121,173	121,435	121,707	121,976	122,485	122,982	30%

" STUDENTS FIRST "

Annual Degrees & Certificates Awarded FY 2017 – FY 2023



Due to the transition to remote learning in the middle of the spring 2020 semester, more grades of "Incomplete" were issued than usual, particularly for students in the Nursing and Health Professions as many clinical and lab sections and experiences had to be cancelled due to the pandemic. This led to a decline in the number of degrees and certificates awarded in FY 2020. Many students were able to complete their requirements in FY 2021 and graduate. Ongoing limitations in clinical experiences remained an issue for subsequent cohorts of Nursing and Health Professions students and their progress toward completion.

Source: BCCC Performance Accountability Report for MHEC.

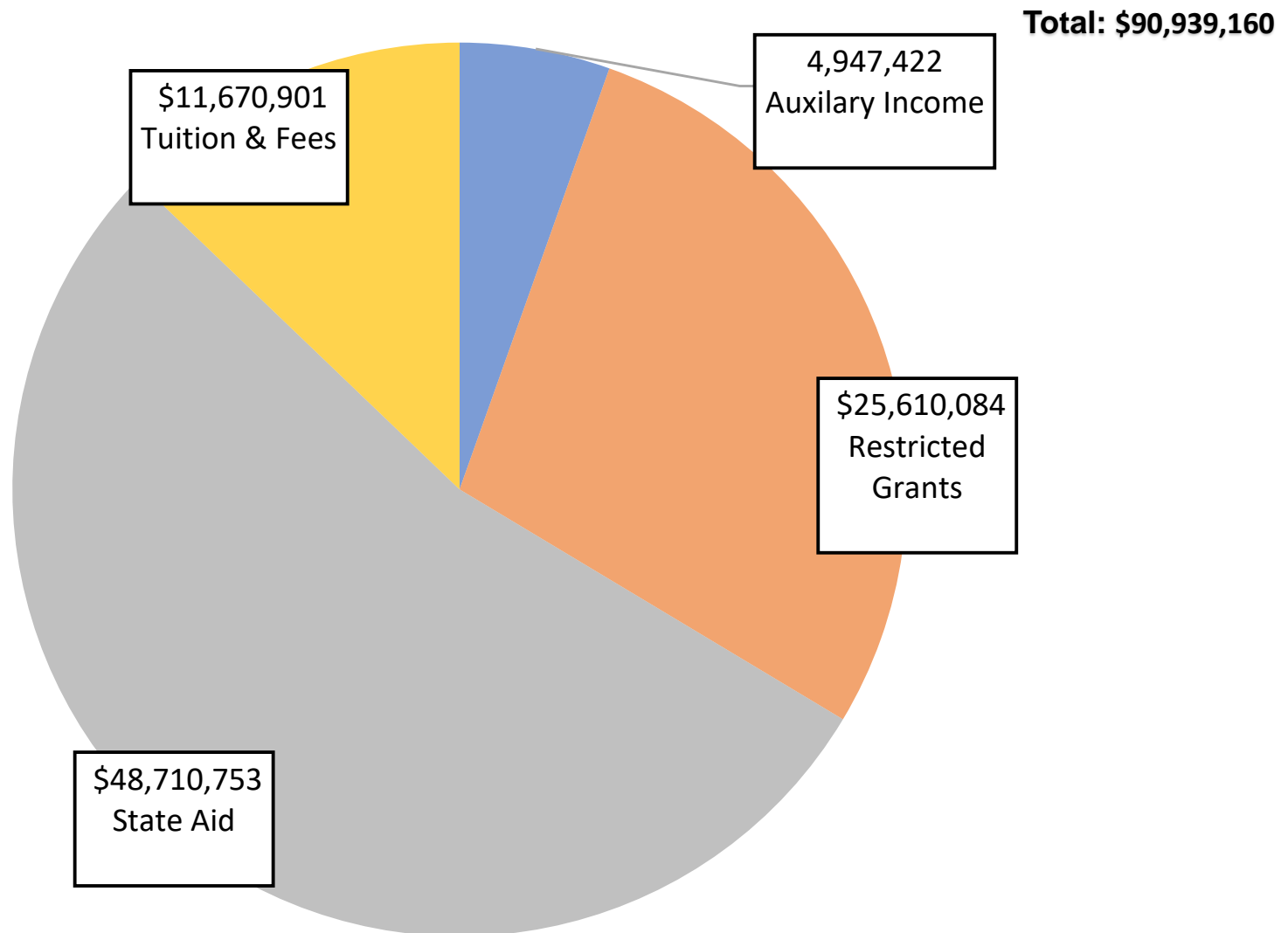
FY 2025 Position & Programs

- Number of Positions (Budgeted FY 2025)
 - **Faculty = 115**
 - **Non-faculty Staff = 322**
- Number of Academic Programs
 - **Undergraduate:**
 - 33 degrees
 - 19 certificates
 - Master's = n/a
 - Doctorate = n/a

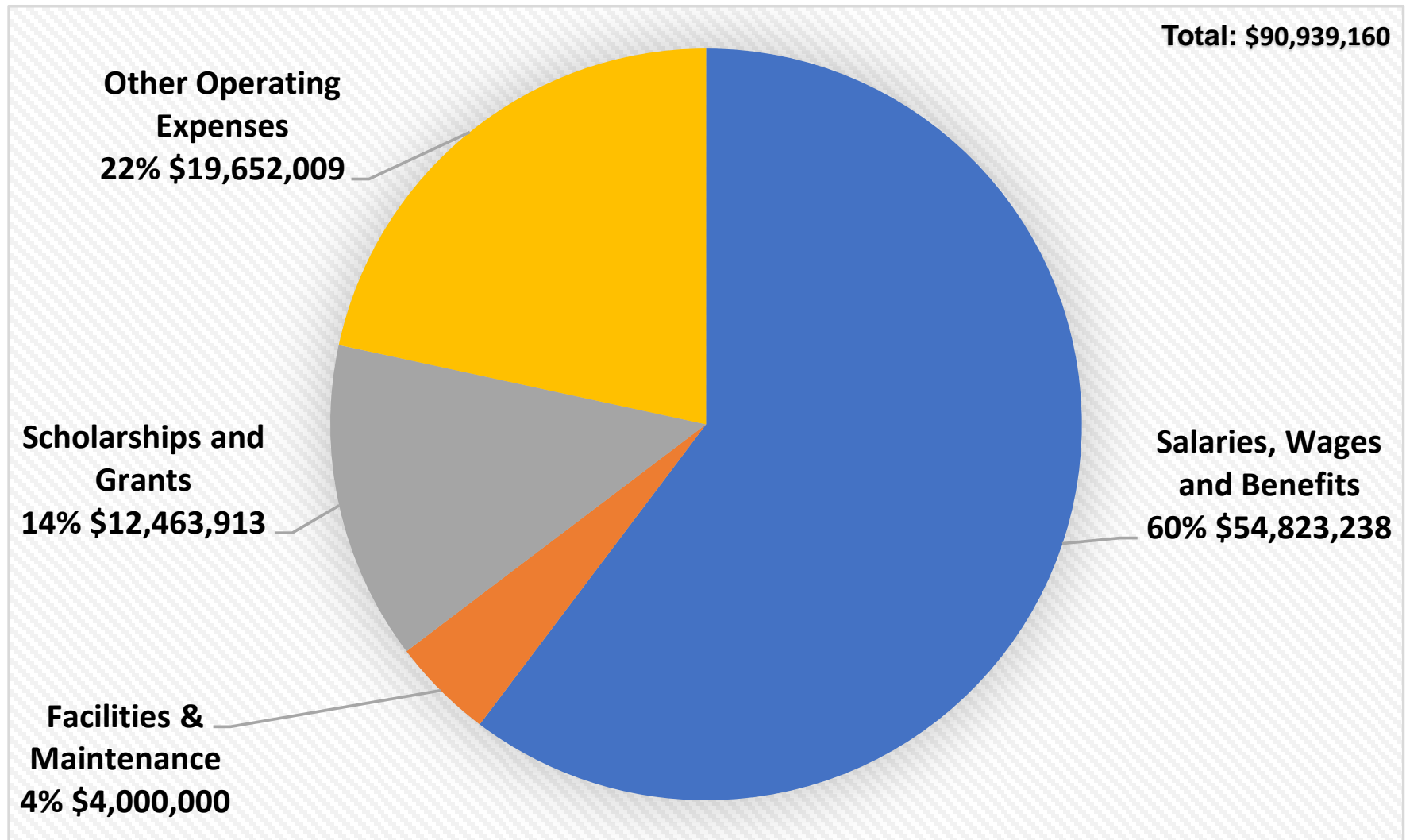
Source: BCCC Budget Office



Operating Budget Fiscal Year 2025 – Revenues



Operating Budget Fiscal Year 2025 – Expenditures



BCCC Capital Debt Profile

- Debt Issued in Prior Five Fiscal Years & Amount Authorized but Unissued:
 - BCCC has not issued debt in the prior five fiscal years.
 - Bonding authority is \$65 million for auxiliary and academic facilities.
 - BCCC has no bond debt outstanding - the entire authorization remains unissued as of June 30, 2023.

- Current Projections for New Issuances & Rating Agency Update:
 - BCCC is currently assessing its position to issue debt.

- Ten-Year Projection:
 - Any projected bond issuance has not yet been determined.



Five-Year Capital Program

- The College's Capital Budget request for **fiscal years 2025-2029**

Learning Commons Renovation and Addition (Library)

BCCC received \$3,370,000 in FY24 to begin the design of the Learning Commons project. The FY25 request includes an additional \$325,000 to complete the design of the renovation and addition to provide a modern learning commons with needed study space, electronic media space, and additional food service space. It also includes \$7,527,000 to begin construction.



Five-Year Capital Program

- The College's Capital Budget request for **fiscal years 2025-2029**
 - **Nursing Building Renovation and Addition**



BCCC requested \$3,903,500 in FY25 to design the renovation and addition to the 1977 Nursing Building with needed office, classroom, and simulation lab space to increase the effect of the Nursing program and therefore contribute to the rising need for healthcare workers in the region.

Five-Year Capital Program

The College's Capital Budget request for **fiscal years 2025-2029**

North Pavilion Demolition



BCCC requested \$122,000 in FY25 to design the demolition of the North Pavilion, which has become a life safety and fire hazard for the College and the community.

•Acquisition of Property

BCCC requested \$6,000,000 in FY25 to acquire property to expand parking, community services, and programs for students.



Five-Year Capital Program

➤ The College's Capital Budget request for **fiscal years 2025-2029**

- **Wellness Center**



FY26 request for \$2,943,000 to start the design for the Wellness Center addition that will expand the recreation, health, and physical therapy spaces for students, staff, and community partners at the Physical Education Center.

The entire project is estimated to cost \$35,462,000 and would be completed in FY28.



Five-Year Capital Program

➤ The College's Capital Budget request for **fiscal years 2025-2029**

- **Facilities Replacement Building**



BCCC requested \$690,000 for FY2027 to start the design for the replacement of Facilities trailer facility with permanent offices and shop space for planning, maintenance, environmental services, fleet, and logistics. The relocation of facilities will make space for the future wellness center. Currently, DGS is awarding a consultant for the Part I-II programming of this project.

The entire project is estimated to cost \$8,122,00 and would be completed in FY28.

In-Progress Capital Program

- **Perimeter Loop Road Improvements**

Board of Public Works approved on September 1, 2021

Contract Value: \$5,025,000

NTP September 28, 2021

The Loop Road project involves the extension of the existing vehicular access road to encompass the entire Liberty Campus, connecting all parking lots, ease vehicular circulation, and improve safety and emergency access while enhancing the overall appearance and user experience of the campus.

The project is currently focused on the new retaining wall and stairs for the new road. Completion date is currently Winter 2023.



Deferred Maintenance - Five-Year Capital Program FY2025 Request Project List

Building	Description	Budget Request
Campus	Building Submetering	\$ 1,700,000
Campus	Lighting Upgrade	\$ 4,040,000
Campus	Electrical Grid Update - Phase 1	\$ 2,500,000
Life Science Building	Replace Air Handling Units and Controls	\$ 13,000,000
Campus	Emergency Generator Upgrade	\$ 4,872,000
Main Building	Fire Alarm Upgrade	\$ 1,650,000
South Pavilion	Replace Air Handling Units and Controls	\$ 2,600,000
Physical Education	Locker Room Renovation	\$ 1,485,000
West Pavilion	Replace Air Handlers and Hot Water Boilers	\$ 1,650,000
Fine Arts Building	Replace Hot Water Boilers and Water Heaters	\$ 1,100,000
Main Building	Replace windows	\$ 1,000,000
Fine Arts Building	Electrical Upgrade	\$ 550,000
Campus	Wayfinding Signage	\$ 550,000
Physical Education	Replace Chiller and Boilers	\$ 1,100,000
Life Science Building	Replace Compressed Air System	\$ 350,000
Campus	Paving - LSD and Lot E Parking Lots	\$ 300,000
TOTAL		\$ 38,447,000

Thank You!

Dr. Debra L. McCurdy
President

Aubrey Bascombe

Vice President – Finance & Administration
Baltimore City Community College

Wes Moore, Governor
State of Maryland

**CAPITAL DEBT
AFFORDABILITY COMMITTEE**

FRIDAY | OCTOBER 13, 2023

MORGAN STATE UNIVERSITY



PRESENTATION TO THE CAPITAL DEBT AFFORDABILITY COMMITTEE
Review of Size and Condition of Debt

Sidney H. Evans, Jr. | Executive Vice President for Finance & Administration

October 14, 2022



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Morgan State University

Internal Debt Guidelines & Objectives

GUIDING PRINCIPLES

- 1. Strategic Debt Allocation**
- 2. Debt Affordability and Capacity**
 - State Authorization Level
 - Debt Burden Ratio
 - Coverage Ratio
 - Viability Ratio
 - Primary Reserve Ratio
- 3. Portfolio Management of Debt**
 - Tax-Exempt
 - Taxable
 - Variable vs. Fixed
 - Capital Leases
 - Information and Consultation
- 4. Regular Dialogue with Rating Agencies**
 - Annual Credit Review
 - Information and Consultation

DEBT MANAGEMENT OBJECTIVES

1. Access to capital in a timely and efficient manner.
2. Establish debt guidelines to:
 - a) Optimize the debt mix;
 - b) Manage the structure and maturity profile of debt portfolio to meet liquidity objectives and assist in cash optimization; and
 - c) Allow growth in net assets.
3. To manage the University balance sheet while maximizing the credit worthiness of the University at the most favorable cost of capital.
4. To manage the risk portfolio of the debt structure by minimizing the exposure to market volatility. Debt will be managed on a portfolio, rather than a transactional or project-specific basis.
5. Coordinate debt management decisions with asset and cash management (liquidity) decisions and portfolio strategies.

Debt Issued in Prior Five Fiscal Years

Description/Series	Fiscal Year	Amount	Project
Bonds			
2018 Series Bonds	2019	\$24.7M	HBCU Bond Debt
2020 Series Bonds	2021	\$69.8M	HBCU Bond Debt
2022 Series Bonds	2023	\$65.0M	HBCU Bond Debt
Prior Five Years		<u>0</u>	
Total Bonds		\$159.5M	
Capital Lease – Building		\$0	
Equipment – Leases/Purchases (2016)		\$19.3M	Lease purchase agreement, equipment for the School of Business and WEEA Radio
Total Capital Leases		\$19.3M	
Total Bonds & Capital Leases		<u>\$178.8M</u>	

Outstanding and Unissued Debt

Principal Outstanding as of 6/30/23	Amount
Bonds	
2018 Series (HBCU)	\$ 0.0M
2020 Series (HBCU)	38.4M
2022 Series (HBCU)	<u>0.8M</u>
	\$39.2M
Capital Leases	<u>\$5.2M</u>
Grand Total	<u>\$44.4M</u>
Debt Authorized but Unissued	Amount
Debt and Legislative Authority	\$140.0M
Principal Outstanding	<u>44.4M</u>
Total Unissued	<u>\$95.6M</u>

- 2018 Series HBCU Bonds were forgiven and satisfied by the U.S. Department of Education pursuant to the Consolidated Appropriations Act of 2021.
- 2020 Series HBCU Bonds disbursed prior to 12/27/20 were forgiven and satisfied by the U.S. Department of Education pursuant to the Consolidated Appropriations Act of 2021.
- HBCU Loan Bonds are a general obligation of the University and not secured by auxiliary revenue. Interest rate on the last installment was 3.8% and average 3.1% over the various disbursements.

Prospective Outstanding and Unissued Debt

Principal Outstanding as of 6/30/23 (proforma)	Amount
Bonds	
2020 Series (HBCU)	\$ 43.7M
2022 Series (HBCU)	<u>65.0M</u>
	\$108.7M
Capital Leases	<u>\$5.2M</u>
Grand Total	<u>\$113.9M</u>

Debt Authorized but Unissued	Amount
Debt and Legislative Authority	\$140.0M
Principal Outstanding	<u>113.9M</u>
Total Unissued	<u>\$ 26.1M</u>

- The 2020 HBCU Loan Bonds funded:
 - 2012 Defeasance for \$21.25M (subsequently forgiven)
 - New Public Safety Building (PSB) for \$16.5M
 - Dining facility for \$32M
- The 2020 HBCU Loan Bonds are closed and fully disbursed as of 1 Aug 2023.
- The 2022 HBCU Loan Bonds funded:
 - Student Housing renovations for \$30M
 - Academic building renovations for \$19M
 - Various deferred maintenance projects for \$11M
 - Cost of issuance and pooled escrow for \$5M.
- All of MSU Bond debt is financed through the HBCU Loan program and are a general obligation of the University and not secured by auxiliary revenue.
- GASB 95 Capital Lease obligations are estimated to be approximately \$19.5M effective for FY23.

Current Debt Service Projections – Next Ten Years

Description	Amount
Bonds	
Revenue Bond Series	
Principal	\$0.0M
Interest	<u>0.0M</u>
Total Bonds	<u>\$0.0M</u>
2020 & 2022 HBCU Loan	
Principal	\$27.1M
Interest	<u>27.5M</u>
Total Loans	<u>\$ 54.6M</u>
Capital Leases	
Principal	\$5.2M
Interest	<u>0.2M</u>
Total Leases	<u>\$ 5.4M</u>
Total Debt Service	<u>\$60.0M</u>

- The 2020 HBCU Loan is closed and fully disbursed as of 1 Aug 2023.
- It is expected that the balance of the 2022 HBCU loan debt of \$65 million will be fully disbursed by 12/31/24.
- Maximum annual debt service for the fully disbursed HBCU loans is projected to be approximately \$5.6 million.

2022 HBCU Loan Bond Issuance

- **2022 HBCU Capital Project Financing Loan - \$65M**
 - **Loan closed on 1 December 2022**
 - The New HBCU Loan is to provide funding for.
 - Student Housing Renovations - \$30M
 - Academic building renovations - \$19M
 - Deferred Maintenance - \$11M
 - COI & Pooled escrow - \$5M
 - Maximum Annual Debt Service is estimated at \$3.5M
 - The Loan is expected to be fully disbursed by December 31, 2024.
 - As with the current HBCU Loan, the New HBCU Loan will not be included in Revenue bonds outstanding.

Rating Agency Updates

➤ Rating Agency Updates

■ Standard and Poor's

- ✓ Affirmed A+ rating in April 2023
- ✓ Stable Outlook (affirmed)

■ Moody's

- ✓ Affirmed A1 rating May 2021
- ✓ Stable Outlook
- ✓ Currently under review

■ Public Bonds:

- ✓ No public revenue bonds are current outstanding.

Rating Agency Updates (Cont.)

➤ Credit Rating Strengths

- Niche as one of the oldest HBCUs in the country
- Relatively stable enrollment with increases over last few years
- History of rising financial operating and capital support from Maryland
- Low to moderate 3.9% maximum annual debt service (MADS) burden with no additional debt plans

➤ Credit Rating Challenges

- Strong competition in our market niche and from other public universities
- Low endowment of approximately \$50.0 million including university and foundation assets, excluding large one-time gift of \$40M+
- Small unrestricted net asset balance

Comprehensive Deferred Maintenance Plan

- FY 2017 – Sightlines hired to conduct study – return on physical assets (ROPA)
- 90% of capital spending went to new space – not sustainable for a research university
- Identified over \$200M in DM
 - Plan to attack and reduce DM
- Total partnership with state (DBM)
 - University borrowed \$8M to fund plan
 - State put \$39M in CIP plus an additional \$29 M in the future CIP.
- Since FY19, the University has spent \$80M in DM capital expenditures (\$25M academic buildings, \$34M resident halls/student life, and \$21M infrastructure/other)
- Adopted DM policy – 2% of facility condition index per year
- Energy Management Strategy – MCEC/Siemens – EPC another source of funding

Overview of the Thurgood Marshall Housing and Dining Project

- To address its current housing needs, Morgan State University (“MSU” or the “University”) developed a **Student Housing Master Plan** in 2017 (the “Student Housing Master Plan”), creating a long-term strategy to improve the amount and quality of its on-campus student housing inventory.
- Consistent with the Student Housing Master Plan, the proposed project includes the development of **670 beds of replacement housing** (the “Student Housing Facility”) to be owned by Maryland Economic Development Corporation (“MEDCO”) and an approximately **30,000 square foot replacement dining and retail facility** to be owned by the University (the “Dining Facility” and, collectively with the Student Housing Facility, the “Thurgood Marshall Project”) on the main campus of the University.
- A second tower with an additional 604 beds is expected to come online in July 2024.



Thurgood Marshall Housing and Dining Project

- Brailsford & Dunlavey (“B&D”) conducted a student housing market analysis (the “Market Study”) which noted that many MSU students currently choose to live off-campus and commute in part because **MSU lacks the housing capacity** to adequately serve its residential population.
 - Additionally, the Market Study notes that residence halls face **backlogged deferred maintenance issues, resulting in dated facilities** that do not align with that of peer institutions or market demand.
- B&D notes that the new on-campus, suite-style project as proposed would bring a completely new and differentiated product to Morgan State students.
- The mixed-use Thurgood Marshall Project will create a vibrant community that will address the existing demand for housing while supporting **MSU’s desire to eliminate its reliance on leases of off-campus facilities**.
- The Market Study noted that students showed a strong preference for living on campus when presented the option. More than **95% of freshmen and 85% of sophomores** and above indicated that they would rather live in an on-campus housing option than move off campus.
 - Further, Morgan is considering a mandated housing policy for Freshman based on a study that indicates students tend to **graduate faster and be more successful** when they live on campus.
- The Student Housing Facility will foster student interaction through its living-learning environment, providing real opportunities for engagement on many levels.

Thurgood Marshall Housing and Dining Project (cont'd)

- The Market Study notes a **substantial increase in projected enrollment over the next seven years**, with the COVID-19 pandemic potentially encouraging more Maryland high school students to remain in-state.
- The Project is located on the main campus of MSU and will be seamlessly integrated as part of the University's on-campus housing stock.
- As evidenced by the University's demand for over 1500 beds in the off-campus market, MSU clearly is in need of additional housing facilities to satisfy current demand.
- MSU is in the first phase of a plan to address the current housing needs to improve the amount, quality and utilization of its on-campus student housing inventory.
- The University expects to implement a four semester on-campus residency requirement that will include the Student Housing Facility, but not Morgan View (which primarily serves upperclassmen not subject to such a requirement).

Five-Year Capital Improvement Plan (CIP)

➤ Five-Year Capital Improvement Program

- University appreciates the State's support for campus refurbishment and development
- Current CIP provides for:

▪ New Health & Human Services, Phase II	175.5M
▪ New Science Building, Phase I	16.0M
▪ New Science Building, Phase II	249.7M
▪ Campus Expansion, Lake Clifton Demolition	18.5M
▪ Carter-Grant Wilson Renovation	38.3M
▪ Jenkins Demolition	15.1M
▪ PEARL Oyster Lab	7.3M
▪ CBEIS Concrete Lab	9.7M
▪ Campus Wide Electric Upgrades	80.7M
▪ Deferred Maintenance	30.0M

TOTAL

\$ 640.8M

Capital Debt Affordability Committee

October 13, 2023

Samantha Norris
Director of Financial Planning and Analysis



UNIVERSITY SYSTEM
of MARYLAND



UNIVERSITY SYSTEM
of MARYLAND

Agenda

- Vision 2030 Strategic Plan
- Contributions to Maryland
- Financing Principles
- Future Capital Needs

OUR MISSION

*To educate and serve the people of Maryland;
advance equity, justice and opportunity;
and produce the research and scholarship that improves lives.*



Background of USM



Founded

1988



Components

12 Institutions

3 RHECs



Purpose

Educate

Innovate

Elevate



Buildings

Academic: 24M GSF

Auxiliary: 18M GSF



Auxiliary

Student Unions

Dining Halls

Athletic Facilities

Parking Structures



Beds

Over 24,000 on
campus beds for
students

USM's Vision 2030: From Excellence to Preeminence

USM Strategic Plan Implementation



Shifting from
institution-
focused to
student-centric



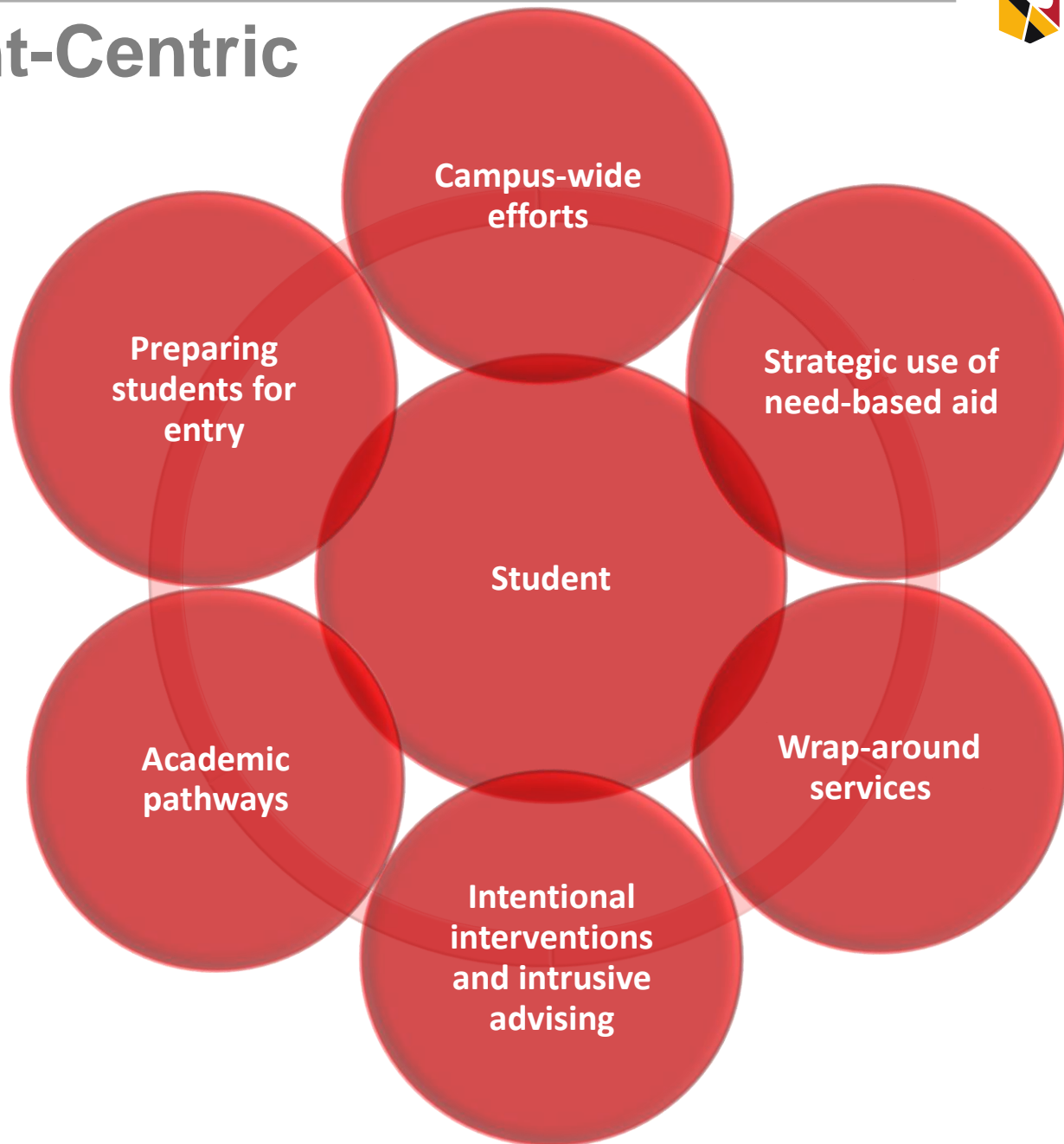
Priorities
concentrate on
learner outcomes



Connecting to
Maryland's needs
as identified in
the State Plan



Student-Centric



USM Contributions to Maryland



Access, Affordability & Achievement

- 163,000 students enrolled
- Low cost allows half of undergraduates to avoid loans
- 43,000 degrees awarded annually
- First-time undergraduates
 - 84% average 2-year retention rate
 - 71% average 6-year graduation rate

Diversity, Equity and Inclusion

- Raise the profile of HBCUs by activating enrollment management and strategizing for student success
- Improving excellence through increased diversity and inclusion
 - Half of the student population identifies as a racial/ethnic minority



USM Contributions to Maryland

Workforce and Economic Development

Annually, USM produces more than:

- 12,000 STEM degrees
- 4,000 healthcare degrees
- 1,500 teachers
- 300 invention disclosures
- 200 patents

Over 600 new companies have been created/facilitated by USM students/staff (since 2011)



Research and Impact

- \$1.4B in R&D attracted annually
- Over 20 joint academic collaborations and student enrichment programs
- UMD-UMB maintain top 10 NSF research ranking among publics
- Enhanced national and international reputation



USM Financing Principles

Fixed Rate Debt

- Would consider variable if advantageous

Varying term

- 10-, 20-, and 30-year bonds

Level debt service

- Interest only first year

Secured by tuition and auxiliary revenue

- Can use P3 deals for auxiliary projects if advantageous

USM Debt Covenants and Practices

Maximum Annual Debt Service:

- Tuition revenues and auxiliary facility fees must not be less than 2x maximum annual debt service (MADS) on the bonds.
 - As of FY22 13.6x MADS

Projected New Authorizations and Debt Service:

- Up to \$115 million of project spending authorized annually
- Expected Bond Debt Service, assuming standard annual issuance
 - FY 2024 \$133.2 M
 - FY 2028 \$157.9 M

Authorized Projects

- Primarily self-support auxiliary projects, as approved by BOR
- State-Support academic projects as included in the Governor's CIP

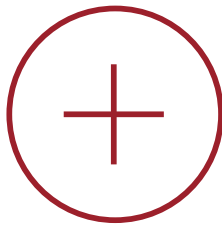
Rating Agency Review

Bond Ratings* – Outlook Stable

S&P AA+

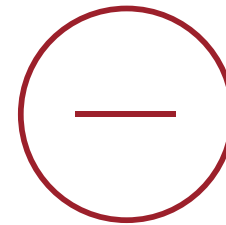
Fitch AA+

Moody's Aa1



Strengths

- Size
- Coverage
- Research
- State support
- Conservative debt structure



Challenges

- Growth restrictions
- Funding competition
- Large unfunded pension liability

*as reported in February 2022 rating reports, affirmed January 2023)

Recent Debt Issuances

Fiscal Year	New	Refinancing	Total
2018	\$115,000,000	-	\$115,000,000
2019	115,000,000	\$38,080,000	153,080,000
2020	-	107,965,000	107,965,000
2021	192,610,000	153,205,000	345,815,000
2022	(a)120,895,000	23,525,000	144,420,000
Total	\$543,505,000	(b)\$322,775,000	\$866,280,000

* USM did not issue debt in FY2023

(a) TIC of 2.36%

(b) Total present value savings - \$41,770,732 over past five years' refinancings (12.94%)

Legislative Debt Cap Considerations



Debt Legislation

Impacting USM:

Legislative debt cap of \$1.7B

Maximum debt term of 33 years



Developments Impacting

Debt Capacity:

GASB Lease & Subscription

UMCP Power Infrastructure Project

USM Debt and Legislative Authority

Legislative Debt Cap \$ 1,700,000,000

Debt Outstanding, June 30, 2023*

Comprised of:

Revenue Bonds (at par) \$ 1,077,935,000

Other (EPCs, MEAs) 27,990,000

Leases & Subscriptions** 180,000,000

Total outstanding (at par), June 30, 2023 1,285,925,000

Additional Debt Possible Within Debt Cap **\$ 414,075,000**

At June 30, 2023 unspent bond project authorizations beyond remaining bond proceeds totals **\$184,582,000**

*Preliminary and unaudited

**GASB Pronouncements now include these as debt, included as a conservative measure

Why Invest in USM?

USM Contributions to Maryland

- Workforce development
- Economic development
- R & D

Financing Principles

- USM is a good steward of the investment

Future Needs:

- USM is continuing to evolve

Evolving Higher Education Capital Needs

The USM enrollment

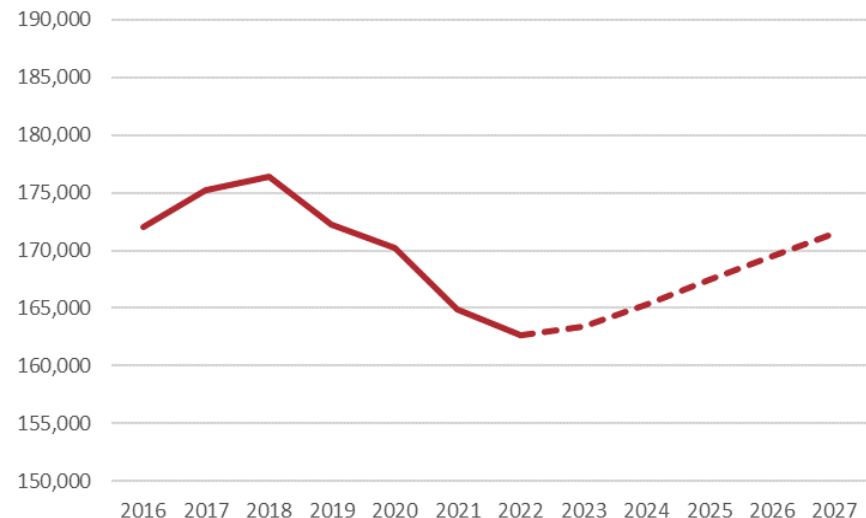
- Increase of nearly 10k students over the past 10 years despite pandemic-related declines
- Expected to rebound and is on the same trajectory for enrollment growth as pre-pandemic
- Project to increase to over 170k students by 2027 (Fig.1).

Self-support facilities

Receive no state capital funding and rely on revenue bonds, P3s, and cash accumulations to meet capital needs:

- Student housing
- Dining
- Student Unions
- Parking

Fig. 1 - USM Actual/Projected Enrollment



Deferred Maintenance

State-supported capital facilities with a replacement value of more than \$15.5B have a backlog of approximately \$2.5B upkeep needed

Research facilities

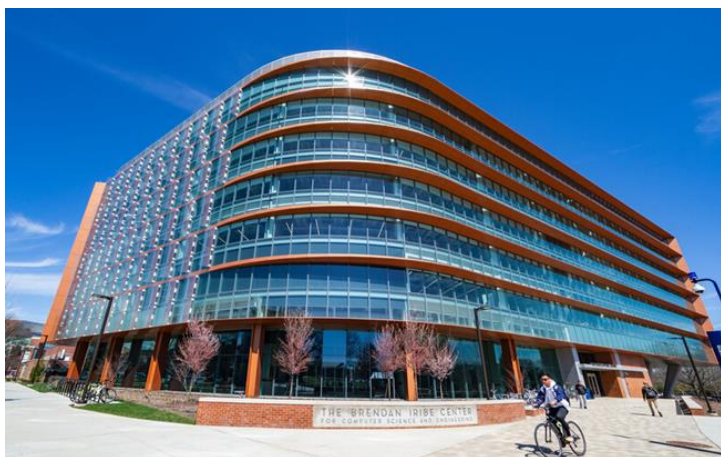
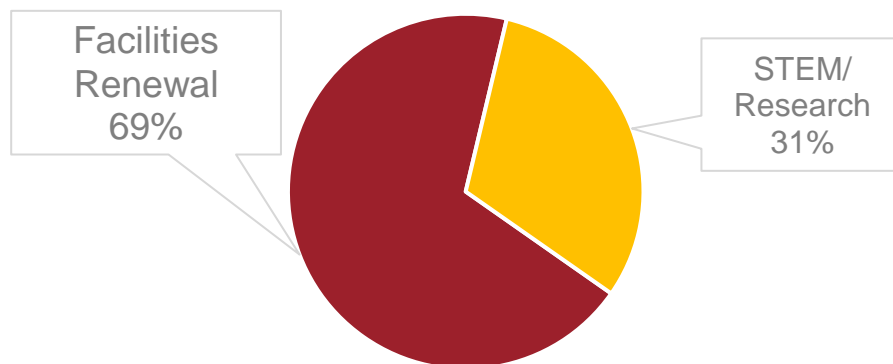
1% growth per year in research expected

Capital Improvement Program

Five Year Capital Requests (FY 2024-2028)

- \$994 M included in CIP
- USM Bonds for Academic Facilities
 - \$25 million per year, ARB & GO
 - \$5 million academic project spending
- Funding for 23 projects plus facilities renewal

Capital Improvement Program



System Funded Construction (FY 2024-2028)

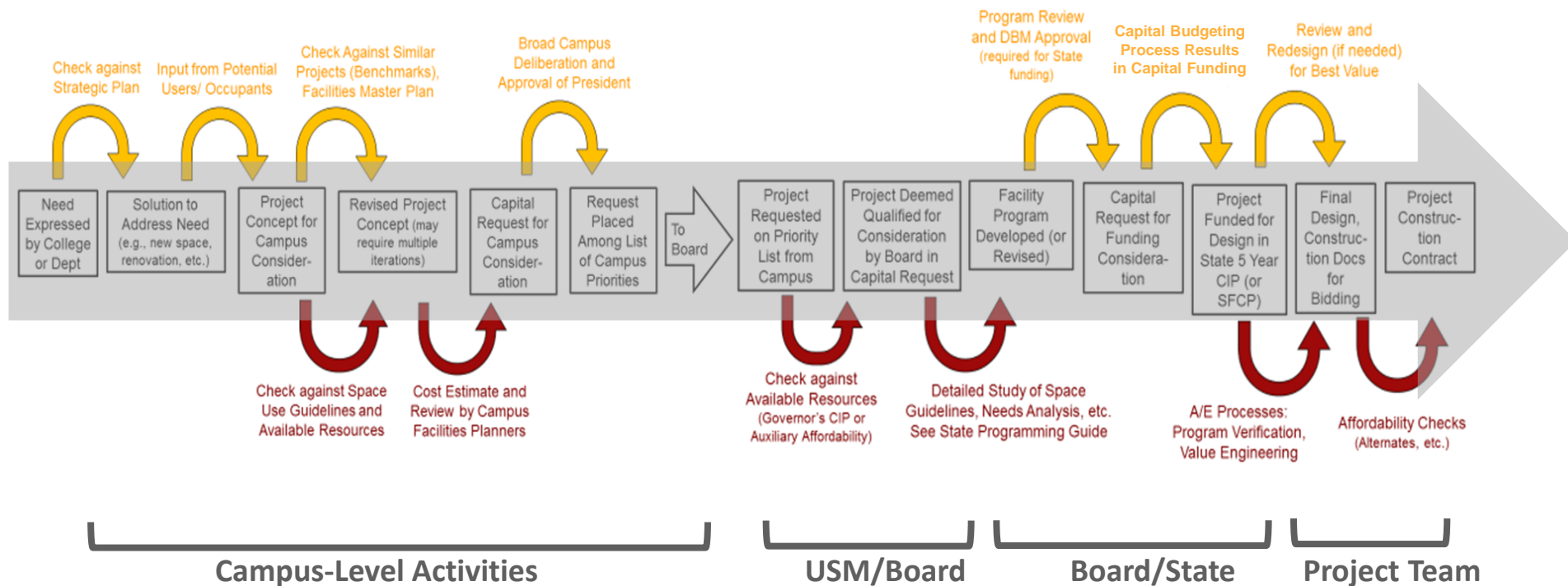
- \$350 million
- Funding 14 projects
 - \$252 million USM Bonds
 - \$98 million Cash-funding

ARB Request

- Based on the Governor's CIP
- ARB Legislation Requests \$30 Million
 - \$25 Facilities Renewal Funds
 - \$5 Academic Project Spending
 - UMCP Campuswide Utilities and Infrastructure Improvements
 - This does not contribute to auxiliary (self-support) projects



Capital Project Due Diligence Process





Thank you

St. Mary's College of Maryland



Review of Size and Condition of Debt
October 13, 2023

The
**NATIONAL
PUBLIC
HONORS**
College

Five-Year Issuance History



- 2021 - \$20.0 million in 2021 Series A Subordinate Lien Note

Total Outstanding



- \$37.535 million in Revenue Bonds as of 6/30/2023

Authorized, but unissued

St. Mary's College of Maryland has a statutory debt limit of \$60 million. The College's Board of Trustees authorizes issuances. Currently the amount authorized, but not issued, is \$0.0 million.

10-Year Debt Service



- 2023 – \$3.78 million
- 2024 – 2033 varies from \$3.79 million down to \$3.07 million

Refunding, New Issuances, and Ratings Updates

- There are no current refunding opportunities or considerations.
- Rating Agency Updates – Moody's underlying rating for St. Mary's College of Maryland debt is A2 with a stable outlook, updated and *revised from negative to stable* outlook in August 2021, reaffirmed as A2 stable in February 2023.

Five-Year Capital Improvement Plan

(as appears in the Governor's FY24 - FY28 CIP)



Campus Infrastructure Improvements

- FY24+ Design/Construction \$10.1 million

Montgomery Hall Renovation

- FY24+ Design & Construction \$42.4 million

Calvert Hall Improvements

- FY28 \$2.08 million

Variable Rate Debt, Swaps



- St. Mary's College of Maryland does not currently have any variable rate debt.
- 2018 issue is insured by Build America Mutual (BAM).
- 2012 issue is uninsured.