

D28A03
Maryland Stadium Authority

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$13,926	\$13,648	\$14,814	\$1,166	8.5%
Special Fund	20,500	21,000	21,500	500	2.4%
Nonbudgeted Fund	<u>30,537</u>	<u>36,865</u>	<u>33,278</u>	<u>-3,588</u>	<u>-9.7%</u>
Total Funds	\$64,963	\$71,514	\$69,592	-\$1,922	-2.7%

- A fiscal 2007 deficiency appropriation would provide \$240,606 for a debt service arbitrage payment on the Ocean City Convention Center.
- General funds increase \$1.2 million, primarily to cover higher operating deficit costs at the Baltimore City Convention Center.
- Nonbudgeted funds are set to decrease \$3.6 million, mainly because fewer building improvements will be made at Camden Yards facilities and no construction projects are scheduled for Camden Yards.

Personnel Data

	FY 06	FY 07	FY 08	FY 07-08
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	92.80	92.80	92.80	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	92.80	92.80	92.80	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	0.00	0.00%
Positions Vacant as of 12/31/06	14.00	15.08%

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

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Analysis in Brief

Major Trends

Projects Completed on Time, on Budget; Construction Management Fees Continue: Since at least fiscal 2002, all projects have been completed on schedule and on budget. Construction management fees are expected to be higher than usual in fiscal 2007 primarily because of work related to the Coppin State University Physical Education Complex.

Since 2001 Camden Yards Hosts Four to Six Non-professional Football Events Annually; Catered Events Average about 220 Each Year: The revenues from all of these events are variable.

Issues

Camden Yards Financing Fund Expects Improved Structural Balance in 2008, but Reserves Will Be Tapped Out: All the expenses associated with the general administration of the Maryland Stadium Authority (MSA) and the operation of the Camden yards facilities are paid from the MSA Financing Fund, a nonbudgeted account. An imbalance of revenues and expenses is expected to improve in fiscal 2008. However, fund balance will be drawn down and the State expects a rent payment of \$1.4 million. **The Department of Legislative Services (DLS) recommends that the agency comment on the outlook for the Camden Yards financing fund, and how making a \$1.4 million rent payment would affect MSA operations and fund balance.**

State's Obligation to Fund Baltimore City Convention Center Deficit Expires in Fiscal 2008: It is not clear how much the State may have overfunded or underfunded its payment in support of the Baltimore City Convention Center operating deficit in recent years. Furthermore, in fiscal 2008, the State needs to decide on whether to continue, modify, or end its subsidy for the convention center. **DLS recommends adopting narrative that requests a report on the State's payment toward the convention center deficit. Options for the General Assembly concerning the State's obligation include permitting the State appropriation to expire, requiring it to continue at the current level or an alternative level, or requiring that an alternative funding source be identified.**

Stadium Authority Is in a Legal Dispute with the Orioles on Capital Repair Projects: MSA is involved in arbitration proceedings with the Orioles baseball team concerning replacement of the video board at Oriole Park. **DLS recommends that the agency comment on how short-term and long-term capital needs at Oriole Park will be addressed given the legal dispute with the Orioles baseball team.**

Recommended Actions

1. Add language to restrict use of funds for legal counsel outside the Office of the Attorney General.
2. Adopt narrative requesting a report on the State's payments toward the Baltimore City Convention Center deficit.

Updates

Current and Recent Project Update: Projects include Camden Station, the Coppin State University Physical Education Complex, the proposed Charles County minor league baseball stadium, the Towson Center Renovation at Towson University, and feasibility studies.

D28A03 – Maryland Stadium Authority

D28A03
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 Orioles baseball stadiums were constructed, MSA's authority has been extended to include construction and financing for other projects. Legislation enacted in 1992 assigned MSA 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 construction of the Hippodrome Performing Arts Center in Baltimore.

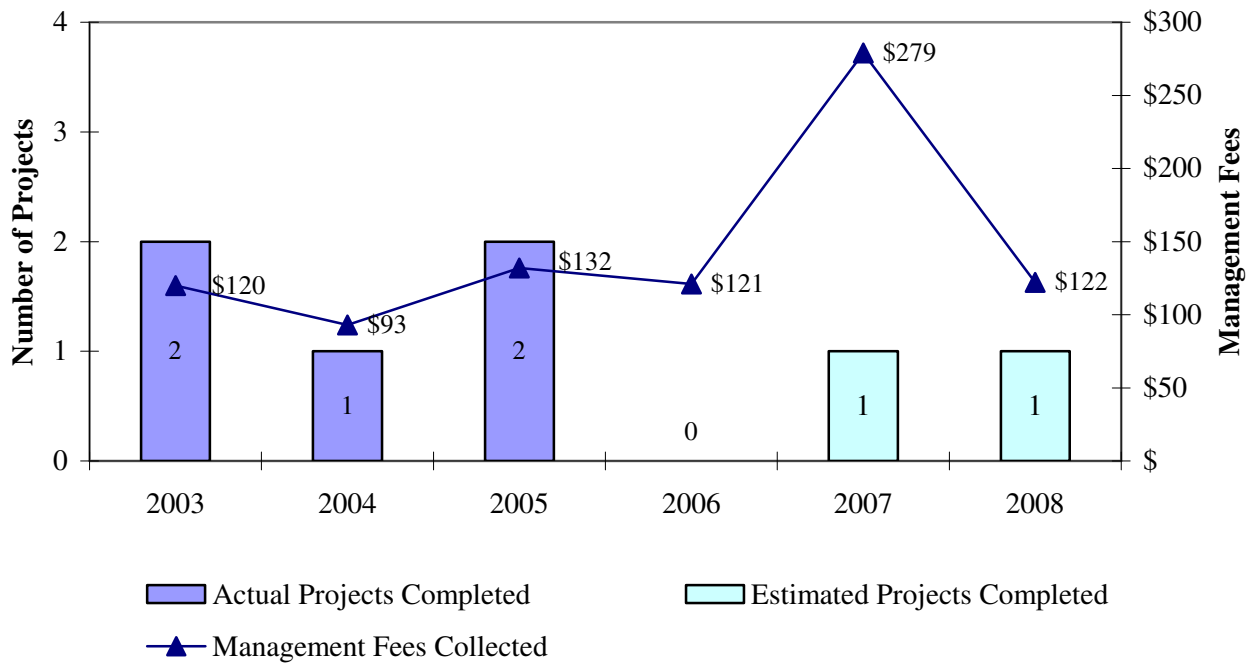
MSA may, in fact, manage any type of construction project for local governments and State agencies as authorized in the capital budget bill of 1998. The contracting agency must show that it can fund the project and the budget committees have 30 days to review and comment on the proposed work. Furthermore, language in the capital budget bill of 2005 authorizes MSA to use up to \$500,000 annually of its nonbudgeted funds to conduct feasibility studies, with approval from the budget committees.

Performance Analysis: Managing for Results

MSA's mission is to design, finance, and build high quality sports facilities, convention and conference centers, and arts/entertainment venues on time and on budget. Since at least fiscal 2002, all projects have been completed on schedule and on budget.

A specific MSA objective is to recover all expenses incurred on construction projects. To calculate the amount that MSA should be reimbursed, the authority determines the time that the project management team will spend on the project, multiplies it by employee salary and benefit rates, and adds 40% of the total for certain other staff and overhead costs. **Exhibit 1** shows the number of construction projects recently completed and the amount of management fees collected. Management fees are expected to increase in fiscal 2007 despite a low project completion level because fees have been received for the Coppin State University Physical Education Complex, which is a current MSA project.

Exhibit 1
Construction Projects Completed and Management Fees Collected
Fiscal 2003-2008



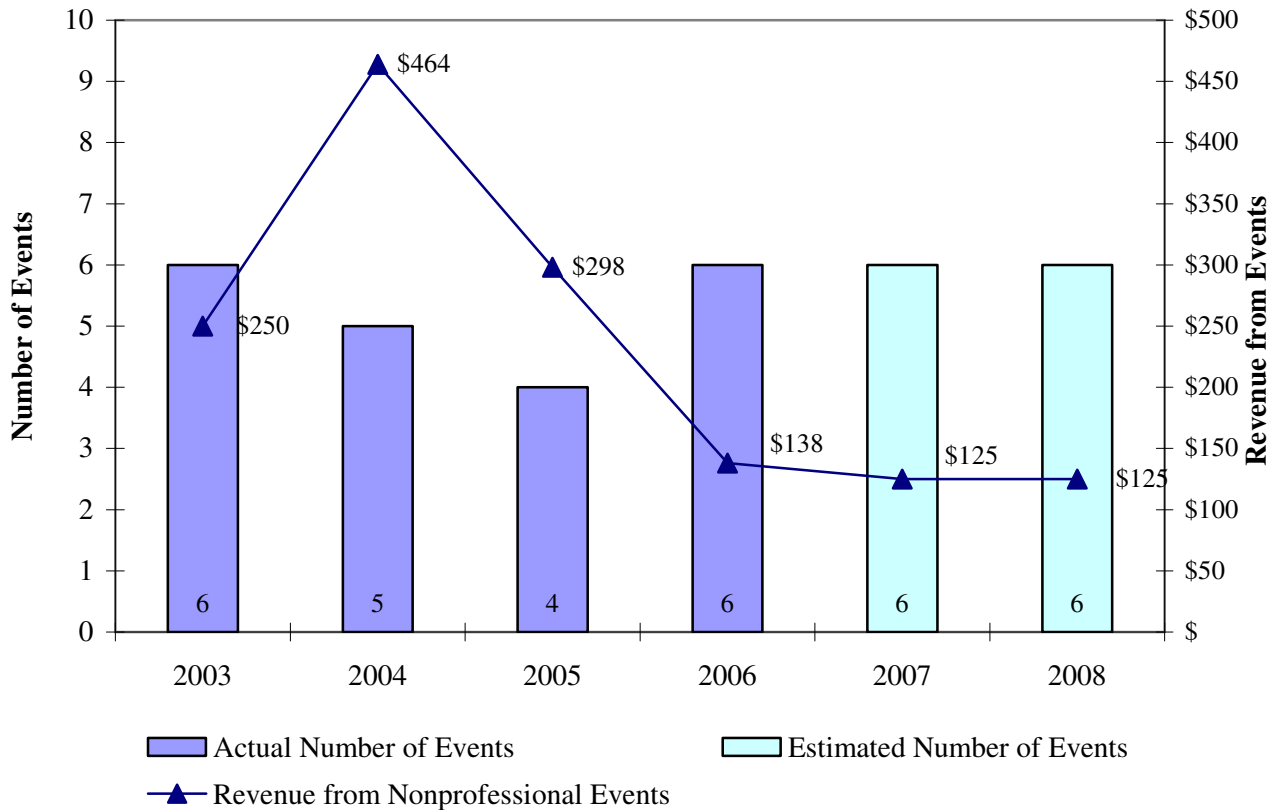
Note: The fiscal 2007 project is Phase II of the Camden Station project and it has been completed. The project scheduled for completion in fiscal 2008 would be the Southern Maryland Baseball Stadium if funding is approved.

Source: Maryland Stadium Authority

A major activity of MSA is to manage ongoing operations at the Camden Yards Sports Complex, which includes Oriole Park at Camden Yards, M&T Bank Stadium, the Warehouse at Camden Yards, Camden Station, and surrounding grounds and parking lots. MSA has an objective to increase the number of events besides professional sporting events at the Camden Yards Complex. In September 2004, MSA authorized the creation of the Camden Yards Sports and Entertainment Commission to boost the number of events.

Exhibit 2 shows that between four and six seating bowl events have been held each year since fiscal 2003. Revenues from seating bowl events have been variable. Fiscal 2004 revenues were particularly high because they include 2003 revenues from a lacrosse event. **Exhibit 3** shows that the number of catered events has remained fairly steady since fiscal 2003, averaging about 220, but, as with seating bowl events, revenues have been variable. Catered events are catered by concessionaires, and MSA receives a commission.

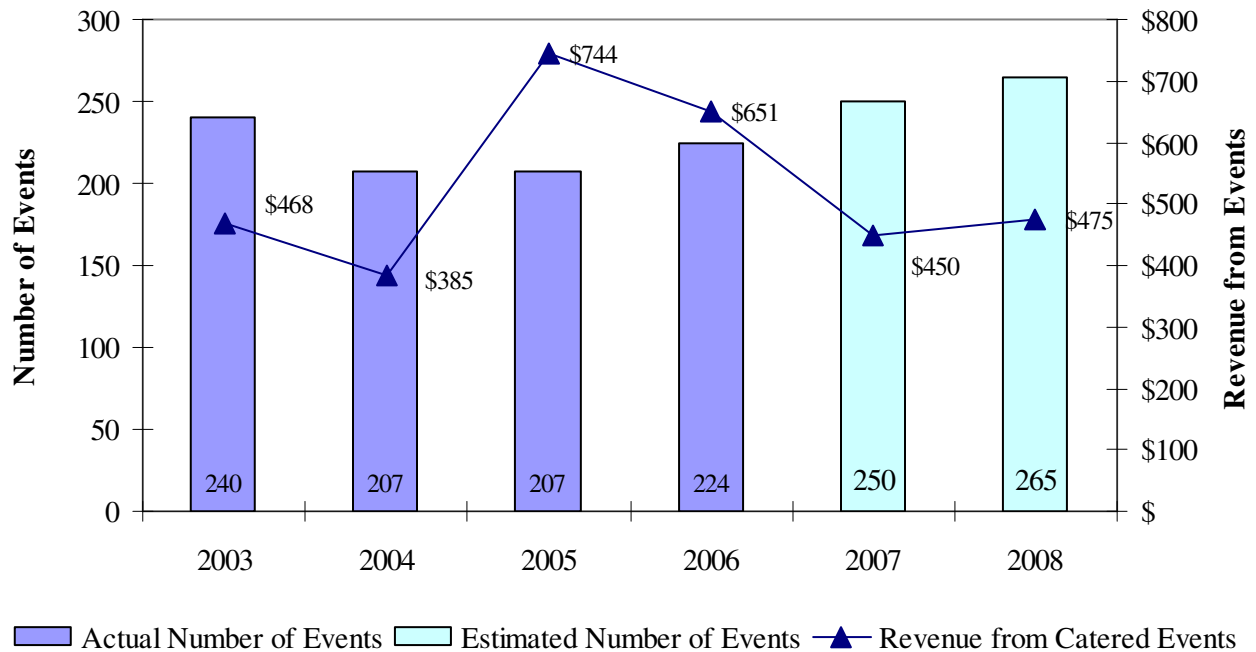
Exhibit 2
Nonprofessional Sporting Events at the Camden Yards Complex
Fiscal 2003-2008
(\$ in Thousands)



Note: Nonprofessional sporting events include seating bowl events, not catered events. Fiscal 2007 and 2008 estimates include the number of events booked as of fall 2006.

Source: Maryland Stadium Authority

Exhibit 3
Catered Events
Fiscal 2003-2008
(\$ in Thousands)



Note: Catered events are held on the club level of M&T Bank Stadium or Oriole Park or the banquet facilities in the Camden Warehouse; events are catered by concessionaires and MSA receives a commission.

Source: Maryland Stadium Authority

Fiscal 2007 Actions

Revenues and Reversions

The State budget for fiscal 2007 assumes a \$1.4 million payment from MSA's nonbudgeted revenues. It also assumes a \$995,000 reversion from payments toward BCCC. The implications of these actions are discussed in Issues 1 and 2.

Proposed Deficiency

The fiscal 2008 allowance includes \$240,606 to provide funds for an arbitrage payment that is required on bonds issued in 1995 for the Ocean City Convention Center.

Governor's Proposed Budget

Major changes to MSA's activities for fiscal 2008 are shown in **Exhibit 4**. The authority's activities are supported by a combination of general, special, and nonbudgeted funds. The total allowance for fiscal 2008 is \$69.6 million, a 2.7% decrease from the 2007 working appropriation. The MSA budget by fund source and program is shown in **Exhibit 5**.

General Funds Increase \$1.2 Million

The allowance for general funds is \$14.8 million, an increase of \$1.2 million from the 2007 working appropriation, primarily due to higher costs associated with BCCC. General funds support the State's contribution to the operating deficits for BCCC and OCCC, as well as debt service on the bonds issued by MSA for those projects. General funds also support the debt service on MSA bonds for construction of the Hippodrome Performing Arts Center and the Montgomery County Conference Center (MCCC).

- **Baltimore City Convention Center:** Section 13-712.1 of the Financial Institutions Article requires MSA to contribute two-thirds of BCCC's annual operating deficit through fiscal 2008. The fiscal 2008 allowance includes \$4 million for the deficit contribution, which is about \$500,000 more than the 2007 working appropriation. The deficit is expected to be higher in fiscal 2008 because of repairs that must be made to the facility.

The allowance also includes \$5.0 million for BCCC debt service and \$200,000 for MSA's annual contribution toward BCCC capital improvements. The State supported this \$156.0 million project, which opened in 1996, with \$56.0 million in general obligation bonds and \$50.0 million in MSA tax-exempt bonds. The fiscal 2005 economic impact of BCCC is estimated by the Department of Budget and Management at \$17.5 million in State tax revenues.

- **Ocean City Convention Center:** Section 13-712.1 of the Financial Institutions Article requires MSA to contribute one-half of OCCC's annual operating deficit until the bonds are paid off in 2015. The fiscal 2008 allowance includes \$1.4 million for the deficit contribution, as well as \$1.5 million for OCCC debt service and \$50,000 for MSA's annual contribution toward OCCC capital improvements. The State supported this \$32.7 million project, which opened in 1997, with \$16.35 million in MSA tax-exempt bonds.
- **Hippodrome Performing Arts Center:** The allowance includes \$890,000 to fund debt service on the Hippodrome project. The State supported this \$62.7 million renovation project, which opened in 2004, with \$16.5 million in general funds and \$17.4 million in taxable bonds, as well as historic tax credits.
- **Montgomery County Conference Center:** The allowance includes \$1.8 million to fund debt service on the MCCC project. The State supported this \$66 million project, which opened in 2004, with \$20.3 million in MSA tax-exempt bonds. Montgomery County has contributed \$13.7 million for construction and another \$2.5 million for project related enhancements.

Exhibit 4
Governor's 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>
2007 Working Appropriation	\$13,648	\$21,000	\$36,865	\$71,514
2008 Governor's Allowance	<u>14,814</u>	<u>21,500</u>	<u>33,278</u>	<u>69,592</u>
Amount Change	\$1,166	\$500	-\$3,588	-\$1,922
Percent Change	8.5%	2.4%	-9.7%	-2.7%

Where It Goes:**General Funds**

Baltimore City Convention Center debt service and operating support	\$1,103
Ocean City Convention Center debt service and operating support	49
Montgomery County Conference Center debt service	4
Hippodrome Performing Arts Center	10

Special Funds

Lottery proceeds that are applied to debt service on Camden Yards Complex projects	500
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Nonbudgeted Funds

Maryland Stadium Authority general administration is lower because construction management fees will be lower and fiscal 2007 included one-time use of fund balance	-287
Camden Yards capital programs that are not covered by Lottery revenues are lower because no projects are scheduled in fiscal 2008	-1,200
Camden Yards facilities management is lower because fewer building improvements will be made.....	-2,096
Hippodrome Performing Arts Center has a larger transfer to reserve	-4

Total	-\$1,922
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Note: Numbers may not sum to total due to rounding.

Exhibit 5
Maryland Stadium Authority Budget Summary by Fund Source
Fiscal 2004-2008
(\$ in Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Working Approp. 2007</u>	<u>Allowance 2008</u>	<u>Change 2007-08</u>
General Funds						
Baltimore Convention Center – debt service and State operating deficit contribution	\$7,075	\$9,080	\$8,674	\$8,113	\$9,216	\$1,103
Ocean City Convention Center – debt service and State operating deficit contribution	2,534	2,657	2,762	2,901	2,950	49
Montgomery County Conference Center – State portion of construction costs	92	1,126	1,610	1,755	1,759	4
Hippodrome Performing Arts Center – State portion of construction costs	796	890	880	880	890	10
Subtotal General Funds	\$10,498	\$13,753	\$13,926	\$13,648	\$14,814	\$1,166
Special Funds						
Lottery transfer to the Maryland Stadium Authority Facilities (MSA) Fund for debt service on Camden Yards projects						
Subtotal	\$21,881	\$21,235	\$20,500	\$21,000	\$21,500	\$500
Nonbudgeted Funds						
MSA general administration	2,577	2,441	3,236	3,813	3,526	-287
Camden Yards capital programs – construction, debt service, and other debt costs not funded by lottery revenues	8,646	31,347	5,508	3,900	2,700	-1,200
Facilities management for entire Camden Yards complex	18,093	18,090	19,422	27,750	25,654	-2,096
Facilities management for Oriole Park improvements per Orioles lease	1,118	1,021	437	500	500	0
Montgomery County Conference Center – county contribution	17,635	11,812	1,035	0	0	0
Hippodrome Performing Arts Center – ticket surcharge and other revenues	22,359	1,207	900	902	898	-4
Subtotal Nonbudgeted Funds	\$70,427	\$65,918	\$30,537	\$36,865	\$33,278	-\$3,588
Grand Total	\$102,806	\$100,905	\$64,963	\$71,514	\$69,592	-\$1,922

Source: Governor's Budget Books, Fiscal 2006-2008

Special Funds Increase \$500,000

The fiscal 2008 allowance for special funds is \$21.5 million, a \$500,000 increase over the 2007 working appropriation. MSA receives an annual appropriation of special funds from the State Lottery Agency. These funds are not provided to MSA to meet a statutory obligation, but they historically have been used as the source of funds to pay debt service on MSA's bond issuances for Camden Yards projects.

When the State authorized the Camden Yards projects, it had to identify a revenue source with which to fund the debt service. The Lottery was the identified source. Camden Yards projects include M&T Bank Stadium, where the Ravens football team has played since 1998; Oriole Park at Camden Yards, the baseball stadium that opened in 1992; the eight-story Warehouse at Camden Yards; and the four-story Camden Station. The Warehouse and Camden Station are historic structures next to Oriole Park that house commercial tenants.

Nonbudgeted Funds Decrease \$3.6 Million

The fiscal 2008 allowance for nonbudgeted funds is \$33.3 million, a \$3.6 million decrease from the 2007 working appropriation. Nonbudgeted funds include bond revenues that support MSA's construction management activities. Construction schedules can cause the nonbudgeted fund amount to fluctuate significantly from year to year.

Nonbudgeted funds also include the MSA Financing Fund (MSAFF), which receives revenues from activities at the Camden Yards complex. These revenues are discussed in more detail in Issue 1. MSAFF supports MSA's general administration as well as Camden Yards expenses related to facilities management, construction, debt service, and other debt costs not funded by Lottery revenues. The Hippodrome Performing Arts Center also receives nonbudgeted funds, mostly from ticket surcharges.

In fiscal 2008, nonbudgeted funds decrease by \$2.1 million for Camden Yard facilities management because fewer building improvements will be made. Also, Camden Yards capital programs that are not covered by Lottery revenues are lower because no projects are scheduled in fiscal 2008.

Issues

1. Camden Yards Financing Fund Expects Improved Structural Balance in 2008, but Reserves Will Be Tapped Out

MSAFF receives all revenues associated with Camden Yards, including bond proceeds from Camden Yards projects, stadium admissions taxes, rent from the Orioles baseball team, reimbursement from the Ravens football team for maintenance, parking fees, and rent from the Warehouse and Camden Station (these are buildings located next to Oriole Park that house commercial tenants). The fund also receives Lottery revenues, which historically have been used to pay debt service on Camden Yards capital projects, and a \$1 million payment from Baltimore City.

All the expenses associated with the general administration of MSA and the operation of the Camden Yards facilities are paid from MSAFF, a nonbudgeted fund account. In fiscal 2006, MSA administration expenses came in \$1.5 million below budget, as shown in **Exhibit 6**. The spending was lower because benefit costs were lower than expected and the agency had a number of vacant positions. Camden Yards operations were \$1.2 million below budget because a new stock room did not start operating until fiscal 2007 and there were more vacancies than expected.

Exhibit 6 **Maryland Stadium Authority Financing Fund** **Fiscal 2006 Estimated and Actual Budget**

	<u>2006</u> <u>Estimated</u>	<u>2006</u> <u>Actual</u>	<u>Change</u>
Opening Balance	\$6,100	\$6,092	-\$8
Lottery	20,500	20,500	0
Other Revenues	27,378	28,572	1,194
Total Funds Available	\$53,978	\$55,164	\$1,186
Maryland Stadium Authority Administration	4,034	2,506	-1,528
Camden Yards Operations	20,205	19,000	-1,205
Camden Yards Capital	2,387	1,714	-673
Other Obligations	24,075	24,713	638
Total Uses	\$50,701	\$47,933	-\$2,768
Closing Balance	\$3,277	\$7,231	\$3,954

Source: Maryland Stadium Authority

Fiscal 2008 Outlook

Total funds available (\$53.7 million) are set to slightly exceed total uses (\$53.6 million) in fiscal 2008, as shown in **Exhibit 7**. However, a beginning fund balance of \$2.6 million is included in the funds available, and without this amount revenues (\$51.2 million) do not cover total uses. The structural imbalance of \$2.4 million represents revenues coming in below expenses and use of fund balance to cover expenses. MSA reports that, ideally, its fund balance remains at least \$3 million. It is expected to be about \$161,000 in fiscal 2008.

Part of the improvement in the structural imbalance is a reduction in fiscal 2008 Camden Yards facilities management expenditures because fewer building improvements will be made. MSA may directly enhance MSAFF nonbudgeted revenues by increasing seating bowl and catering events, Warehouse and Camden Station leases, in-stadium advertising revenue, and construction management fees. The cash flow detail provided in **Appendix 4** presents detail on MSAFF fiscal 2005 through 2008 revenues and expenditures.

State Rent Payment Budgeted at Zero for Fiscal 2007 and 2008

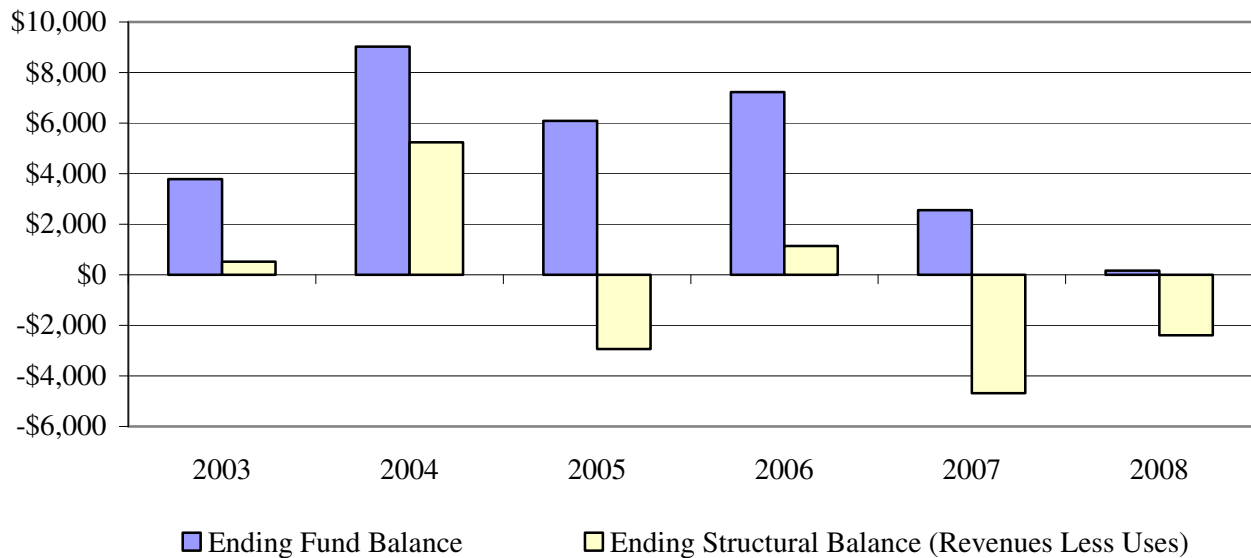
MSA is required to pay rent to the State equal to the difference between its actual revenues and budgeted expenses. The rent formula is built into the sublease agreements for M&T Bank Stadium, Oriole Park, Camden Station and the Warehouse, BCCC, and OCCC. The convention centers always have operated at a deficit so no rent is due. Therefore, activity at Camden Yards generates the State rent payment, if any. MSA has not budgeted a rent payment for fiscal 2007 or 2008, although the State expects a \$1.4 million payment in fiscal 2007.

The Department of Legislative Services (DLS) recommends that the agency comment on the outlook for the Camden Yards financing fund, and how making a \$1.4 million rent payment would affect MSA operations and fund balance.

2. State's Obligation to Fund Baltimore City Convention Center Deficit Expires in Fiscal 2008

Section 13.712.1 of the Financial Institutions Article stipulates that the State fund two-thirds of BCCC's annual operating deficit through fiscal 2008. At issue is whether the State will want to continue, modify, or end the subsidies for the convention center. Data on BCCC's deficit is shown in **Exhibit 8**.

Exhibit 7
Maryland Stadium Authority Financing Fund
for Camden Yards Complex Activities
Fiscal 2003-2008
(\$ in Thousands)



	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Est.</u> <u>2007</u>	<u>Est.</u> <u>2008</u>
Beginning Fund Balance	\$3,261	\$3,782	\$9,024	\$6,092	\$7,231	\$2,552
Revenues from Camden Yards bond proceeds, Camden Yards operating activities, and the State Lottery	58,136	57,798	49,137	49,073	50,383	51,194
Total Funds Available	\$61,397	\$61,580	\$58,161	\$55,164	\$57,614	\$53,746
Total Uses	\$57,615	\$52,556	\$52,069	\$47,933	\$55,062	\$53,585
Ending Fund Balance	\$3,782	\$9,024	\$6,092	\$7,231	\$2,552	\$161
Ending Structural Balance (Revenues Less Uses)	\$521	\$5,242	-\$2,932	\$1,140	-\$4,679	-\$2,391

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

Source: Maryland Stadium Authority

Exhibit 8
Baltimore City Convention Center Operating Deficit
Fiscal 2003-2008
(\$ in Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>
Revenues	\$9,591	\$9,304	\$11,140	\$10,719	\$10,951	\$11,428
Operating Expenses	13,426	14,851	14,123	15,105	16,183	18,067
Operating Deficit	-3,835	-5,547	-2,983	-4,386	-5,232	-6,639
State's Share (two-thirds)	-2,557	-3,698	-1,989	-2,924	-3,488	-4,426
Budgeted by MSA	1,862	1,987	2,891	3,590	3,028	4,000
State Payment Over/Under Deficit	-\$695	-\$1,711	\$902	\$666	-\$459	-\$426

Source: Maryland Stadium Authority

State Has Underfunded BCCC Deficit

As shown in Exhibit 8, the State has not always covered the full amount of its share of the BCCC operating deficit. In fiscal 2005, a deficiency appropriation of \$2.4 million was provided to cover previous underfunding, but payments are budgeted below the obligated amount in fiscal 2007 and 2008. The State's fiscal 2007 budget includes an assumption that \$995,000 will be reverted from funds the State has provided to cover the deficit. If funds are reverted, the State still is obligated to cover its share of the deficit and a \$1.4 million deficiency could result for fiscal 2008.

It is not clear how much the State may have overfunded or underfunded its payment in support of BCCC's operating deficit in recent years. **DLS recommends adopting narrative that requests a report on the State's payments toward the convention center deficit.**

Task Force Recommendations Focused on Convention Business

The issue of BCCC's State subsidy was explored by an MSA task force and recommendations were issued in February 2005. The task force recommendations indicated that State support should continue if certain changes were made, including shifting marketing resources at the Baltimore Area Convention and Visitors Association (BACVA) from the leisure industry to convention business. Another recommendation was to use \$500,000 annually from Baltimore City's hotel room tax revenues to provide incentives to meeting planners.

The task force considered but rejected the idea of recommending a higher hotel room tax rate because it would raise the cost of rooms and Baltimore already had, at that time, the third highest

average room rate among its competitor cities. Boston had the highest room rate among competing cities, followed by Washington, DC. Other cities in the group include Atlanta, Charlotte, Nashville, Orlando, Philadelphia, and Pittsburgh. All of these cities except Baltimore and Boston have a hotel or other tourism tax that funds convention center operations.

Convention Business Improved from Fiscal 2005 to 2006

Convention business picked up from fiscal 2005 to 2006. Fiscal 2005 had 252 events booked at BCCC, drawing 285,699 people. By comparison, fiscal 2006 had 275 events booked, drawing 411,977 people. By the end of fiscal 2005, the convention sales team booked 289,820 definite room nights. Definite room nights mean groups have reserved these nights by either signing a hotel contract or a letter of intent. By the end of fiscal 2006, the convention sales team booked 353,573 definite room nights. BACVA made a slight increase in the resources it devotes to convention marketing: in fiscal 2005, BACVA spent 26.3% of its budget on convention marketing, whereas in 2006 it spent 27.2%. Note that despite the increased convention business, Exhibit 8 shows that revenues did not increase from fiscal 2005 to 2006.

Options for the General Assembly include introducing legislation or language to:

- **permit the State appropriation to expire consistent with statutory language;**
- **require the State appropriation to continue to support the operating deficit at the current level or an alternative level; or**
- **require that an alternative funding source be identified, such as a hotel, restaurant, or tourism tax.**

3. Stadium Authority Is in a Legal Dispute with the Orioles on Capital Repair Projects

MSA is involved in arbitration proceedings with the Orioles baseball team concerning replacement of the video board at Oriole Park.

DLS recommends that the agency comment on how short-term and long-term capital needs at Oriole Park will be addressed given the legal dispute with the Orioles baseball team.

Recommended Actions

1. Add the following language:

Provided that:

- (1) no funds may be expended for the purpose of hiring legal counsel outside of the Office of the Attorney General (OAG) until OAG has had up to 20 business days to review and approve or disapprove the contract, including any retainer agreement entered into after July 1, 2007. If OAG has not responded in 20 business days, the Maryland Stadium Authority (MSA) may proceed with the contract; and
- (2)
 - (i) MSA shall provide to OAG detailed information on existing contracts for legal counsel, including copies of existing contracts, including the name of legal counsel, exact issue and specific nature and scope of work, rate of compensation, and compensation paid to date.
 - (ii) MSA may retain legal counsel under existing contracts until such time as the tasks or issues related to those contracts are completed.

Explanation: In 2004, MSA hired an attorney for \$114,740 to explore litigation against Major League Baseball concerning the introduction of the Washington Nationals Team. This language would prevent MSA from hiring legal counsel, including any retainer agreement entered into after July 1, 2007, to work on prospective tasks or issues outside of OAG without the OAG's approval within 20 business days. The language also requires MSA to provide information to OAG about its existing contracts for legal counsel.

2. Adopt the following narrative:

Baltimore City Convention Center Operating Deficit: As stipulated in statute, the State funds two-thirds of the annual operating deficit of the Baltimore City Convention Center through fiscal 2008. It is not clear at this point how much the State may have overfunded or underfunded its payment in support of the deficit in recent years. Part of the problem results from the timing difference between the State's fiscal year closeout and the convention center's closeout. The budget committees request that the Office of Legislative Audits (OLA) determine what is the cumulative status of the State's payments through the fiscal 2008 budget allowance.

Information Request	Author	Due Date
Status of the State's payments toward the Baltimore City Convention Center deficit	OLA	October 1, 2007

Updates

1. Current and Recent Project Update

Camden Station

In February 2004, MSA issued \$8.7 million in 20-year taxable revenue bonds for the renovation of the Camden Station, a historic building next to Oriole Park that houses commercial tenants. Of this amount, \$8.0 million is to pay for the capital construction associated with development. The remaining bond proceeds were used to pay capitalized interest, costs of issuance, and bond insurance.

Phase I of the project, involving the basement and first floor, was completed in March 2005. Phase II, involving the second and third floors, was completed in August 2006. The Babe Ruth Museum rents 22,551 square feet in the basement and on the first floor, and Geppi's Entertainment Museum rents 17,254 square feet on the second and third floor.

Coppin State University Physical Education Complex

MSA is managing construction of the Coppin State University Physical Education Complex, a \$109 million construction project totaling 247,000 square feet. The project includes classrooms, laboratories, dance studios, an indoor arena, pool, outdoor track and soccer field, tennis court, softball field, central utility plant, facilities management and public safety building, and parking. The project is scheduled to be completed in fiscal 2010.

Proposed Charles County Minor League Baseball Stadium

MSA received approval to serve as construction manager for a new minor league baseball stadium in Waldorf, Charles County. The stadium would have 4,600 seats and 16 skyboxes and is expected to cost \$24 million. Design work has been completed. If construction is funded, the stadium would open in 2008. The county seeks one-third of the construction cost from the State, with another one-third to be county funded, and the final one-third to be privately funded.

Towson Center Renovation at Towson University

In July 2006, MSA received approval to manage construction for the Towson Center renovation at Towson University. The Towson Center is a sports arena that houses some recreational sports, the athletic department, and the kinesiology academic program. The renovation project is expected to cost \$30 million and involve arena seating, soundproofing, lighting, air conditioning, and a new floor.

Feasibility Studies Include Montgomery County Sports Facility and Sailing Hall of Fame in Annapolis

In fiscal 2007, MSA is scheduled to complete a study for a multi-purpose sports facility for the Montgomery County Department of Economic Development. The authority also is scheduled to complete a study for a National Sailing Hall of Fame in Annapolis for the Department of Natural Resources.

During fiscal 2006, the authority completed a feasibility study for a new horse park complex using the site of the U.S. Naval Academy Dairy Farm in Anne Arundel County. The estimated capital cost of the horse park is \$114.2 million. The U.S. Naval Academy issued a notice of availability to lease the property in January 2007, and the response deadline is March 19. The authority also completed a study for renovation of a motor sports park in Allegany County, for which the estimated capital cost is \$31 million.

MSA expects to release soon a study concerning a Baltimore City arena. The study examines whether it would be better to renovate the facility known as First Mariner Arena or construct a new facility.

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 2006					
Legislative Appropriation	\$14,070	\$20,500	\$0	\$0	\$34,570
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-144	0	0	0	-144
Actual Expenditures	\$13,926	\$20,500	\$0	\$0	\$34,426
Fiscal 2007					
Legislative Appropriation	\$13,648	\$21,000	\$0	\$0	\$34,648
Budget Amendments	0	0	0	0	0
Working Appropriation	\$13,648	\$21,000	\$0	\$0	\$34,648

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

Fiscal 2006

MSA finished fiscal 2006 at \$143,830 below its legislative appropriation. Nearly all of the \$143,830 general fund reversion was related to the MCCC; additional capitalized interest was available to use for debt service so the full amount of general funds was not needed.

Object/Fund Difference Report
Maryland Stadium Authority

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	92.80	92.80	92.80	0	0%
Total Positions	92.80	92.80	92.80	0	0%
Objects					
01 Salaries and Wages	\$ 5,287,867	\$ 6,773,995	\$ 6,579,271	-\$ 194,724	-2.9%
02 Technical and Spec. Fees	905,736	695,374	700,374	5,000	0.7%
03 Communication	132,282	135,153	137,789	2,636	2.0%
04 Travel	26,251	36,734	36,367	-367	-1.0%
06 Fuel and Utilities	6,476,838	8,835,635	8,887,252	51,617	0.6%
07 Motor Vehicles	61,853	49,141	51,062	1,921	3.9%
08 Contractual Services	10,159,228	14,168,523	11,876,720	-2,291,803	-16.2%
09 Supplies and Materials	769,650	806,893	831,626	24,733	3.1%
10 Equipment – Replacement	287,947	500,000	500,000	0	0%
11 Equipment – Additional	205,113	247,945	259,378	11,433	4.6%
12 Grants, Subsidies, and Contributions	24,427,216	25,396,938	26,917,111	1,520,173	6.0%
13 Fixed Charges	13,555,104	11,167,177	10,114,595	-1,052,582	-9.4%
14 Land and Structures	2,667,916	2,700,000	2,700,000	0	0%
Total Objects	\$ 64,963,001	\$ 71,513,508	\$ 69,591,545	-\$ 1,921,963	-2.7%
Funds					
01 General Fund	\$ 13,926,074	\$ 13,648,046	\$ 14,813,776	\$ 1,165,730	8.5%
03 Special Fund	20,500,000	21,000,000	21,500,000	500,000	2.4%
07 Nonbudgeted Fund	30,536,927	36,865,462	33,277,769	-3,587,693	-9.7%
Total Funds	\$ 64,963,001	\$ 71,513,508	\$ 69,591,545	-\$ 1,921,963	-2.7%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 20,500,000	\$ 21,000,000	\$ 21,500,000	\$ 500,000	2.4%
41 General Administration	3,236,428	3,813,104	3,525,713	-287,391	-7.5%
42 Capital Programs – Baseball/Football Pre-construction	5,507,713	3,900,000	2,700,000	-1,200,000	-30.8%
44 Facilities Management	19,421,550	27,749,985	25,653,683	-2,096,302	-7.6%
48 Facilities Management	436,933	500,000	500,000	0	0%
55 Baltimore Convention Center	8,674,204	8,112,657	9,215,696	1,103,039	13.6%
58 Ocean City Convention Center	2,761,802	2,900,589	2,949,530	48,941	1.7%
59 Montgomery County Conference Center	2,644,748	1,754,800	1,758,550	3,750	0.2%
60 Hippodrome Performing Arts Center – Capital Appropriation	1,779,623	1,782,373	1,788,373	6,000	0.3%
Total Expenditures	\$ 64,963,001	\$ 71,513,508	\$ 69,591,545	-\$ 1,921,963	-2.7%
General Fund	\$ 13,926,074	\$ 13,648,046	\$ 14,813,776	\$ 1,165,730	8.5%
Special Fund	20,500,000	21,000,000	21,500,000	500,000	2.4%
Nonbudgeted Fund	30,536,927	36,865,462	33,277,769	-3,587,693	-9.7%
Total Appropriations	\$ 64,963,001	\$ 71,513,508	\$ 69,591,545	-\$ 1,921,963	-2.7%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

Maryland Stadium Authority Financing Fund for Camden Yards Complex Activities

Fiscal 2005-2008

(\$ in Thousands)

	Actual 2005	Actual 2006	Est. 2007	Est. 2008
Beginning Balance	\$9,024	\$6,092	\$7,231	\$2,552
Lottery Proceeds	21,235	20,500	21,000	21,500
Net Bond Proceeds from Camden Yards Projects	0	0	0	0
Subtotal Lottery/Bond	\$21,235	\$20,500	\$21,000	\$21,500
Other Revenues				
Misc. Income	334	510	125	125
Catering Events	744	651	450	475
Baseball Admission Tax	4,579	4,623	4,350	4,500
Baseball Rent	6,991	7,125	7,000	7,000
Baseball Suite Amortization	669	644	645	645
Football Admission Tax	3,655	3,481	3,400	3,500
Football Operations	6,366	6,845	7,972	8,044
Seating Bowl Events	298	138	125	125
Warehouse Lease	3,134	3,434	4,037	4,158
Construction Mang. Fee	132	121	279	122
Ravens Payment	0	0	0	0
City of Baltimore	1,000	1,000	1,000	1,000
Subtotal Other Revenues	\$27,902	\$28,572	\$29,383	\$29,694
Total Funds Available	\$58,161	\$55,164	\$57,614	\$53,746
Uses				
MSA Administration	2,533	2,506	3,513	3,556
Camden Yards Operations	17,437	19,000	26,049	24,229
Subtotal MSA/Camden Operating	\$19,970	\$21,506	\$29,562	\$27,785
Capital Imp. Funds for Oriole Park*	400	400	400	400
Camden Station Development	5,794	1,026	0	0
Baseball Suite Renovate	252	288	500	500
Baseball Stadium Major Repairs	100	0	0	0
Subtotal MSA/Camden Operating and Capital	\$26,516	\$23,220	\$30,462	\$28,685
Debt Service and Financing	22,613	22,313	22,200	22,500
School Construction	2,400	2,400	2,400	2,400
State Rent Payment	540	0	0	0
Total Uses	\$52,069	\$47,933	\$55,062	\$53,585
Ending Balance	\$6,092	\$7,231	\$2,552	\$161

* 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.

Note: MSA administration figures represented here account for third party reimbursements, while the Governor's Budget Books show gross revenues and expenditures.

Source: Maryland Stadium Authority