

**COMMISSIONERS OF ST. MARY'S COUNTY**  
**2019 LEGISLATIVE PACKAGE**  
**LEGISLATIVE PROPOSAL FORM**

**PLEASE ATTACH COPY OF CURRENT LAW**  
**OR ANY OTHER ADDITIONAL INFORMATION**

**PLEASE RETURN TO: COUNTY ATTORNEY'S OFFICE**

**DEPARTMENT :** Finance

**ADDRESS:** Chesapeake Building

**TELEPHONE NUMBER:** 301-475-4200 X71202

**CONTACT PERSON:** Jeannett Cudmore, Chief Financial Officer

**NEED(S) OR REASON(S) FOR LEGISLATIVE ACTION:** (If none, check here \_\_\_ and return form)

St. Mary's County is requesting authority to issue \$30 million in public facilities bonds for the FY2020 Budget. Currently total projects in the plan for FY2020 total - \$58.1 million with additional \$16.7 additional requests bring total to \$74.8 for FY2020 – funded by various sources, such as State/Federal, Impact Fees, Transfer Taxes, Pay-Go and Bonds.

General Obligation Bonds (GOB) are a critical component of the County's financing for capital projects. The FY2020 Request includes projects such as Charlotte Hall Farmer's Market Relocation \$1.6 million, Radio Systems Upgrades \$2.6 million, Asphalt Overlay \$3.6 million, Patuxent Park Neighborhood Renovations \$6 million, Regional Water Quality \$1.8 million, Recreation Facility Improvements \$1.7 million, Chaptico Park Improvements \$1.1 million, Green Holly ES Partial Renovations \$1 million, Great Mills HS Partial Roof \$1.5 million, and Public Schools Safety \$1.3 million.

The current balance of authority is adequate for projects in the plan through FY2019 with only \$8.4 million available for FY2020. The County needs this authority to complete those projects in the plan for FY2020. Several of these are multi-year, multi-phased, and involve funding from the county as well as the State. Attachment A is a listing of projects and the amount of GOB financing assumed. It should be noted that the amount of GOB is the funding needed after applying other capital project funding sources such as transfer taxes and impact fees, as appropriate to the projects. Attachment B is the FY2020 planned uses of General Obligation Bonds in pie chart representation.

It is desirable to have clear authority for the sources of funding, to better correspond to the capital program, which requires multi-year planning and commitment – the ability to see a project's funding through to completion.

The actual appropriation and borrowing will be determined annually based upon need and affordability. In determining the required funding, the Commissioners of St. Mary's County considered priorities, needs, and debt capacity. We sold bonds in FY2017 and currently in FY2019. As part of our development of the Capital Plan each year we review two measures in our Debt Capacity, just updated at our December 2018 budget work sessions, Attachment C are:

Debt as a per cent of assessable base - ranges from 1.65% to 2.11%

Our policy is a max of 2.15% - with the inclusion of METCOM

Debt Service as a per cent of operating revenues - ranges from 5.33% to 6.26%

12-31-2018

Our policy max is 10%

**LEGISLATIVE REFERENCES CITE:** (example: Annotated Code, Art. 25, §3)

St. Mary's County issues General Obligation Bonds pursuant to chapter laws adopted from time to time by the Maryland General Assembly at the request of the County ("Chapter Law Authorization"). A copy of the last one so approved is included for reference, Attachment D. The change would be to the amount, we are requesting \$30 million. Attachment E reflects current approved bond authority, confirmed by Bond Counsel.

**PLEASE STATE SPECIFIC LANGUAGE REQUESTED (below or on a separate sheet, if necessary):**

See Attachment D. A copy of Chapter 109 (House Bill xxx) so approved is included for reference. The requested change would be to the amount – as we are requesting \$30 million.

**FISCAL IMPACT (attach additional sheet if necessary):**

A "simple calculation" would indicate that \$30 million in debt, assuming a 4.25% rate and a 20 year term, adds approximately \$2.25 million to our debt service annually. However, during this period of time we will also be paying down on prior debt. As explained previously, the requested authority allows us to complete what we have already started and the projects in the FY2020 plan.

The annual budgeted debt service that we anticipate, based on the capital plan and the general assumptions as to timing and amount of borrowing and terms, including the debt that would be issued under this authority requested, is as follows:

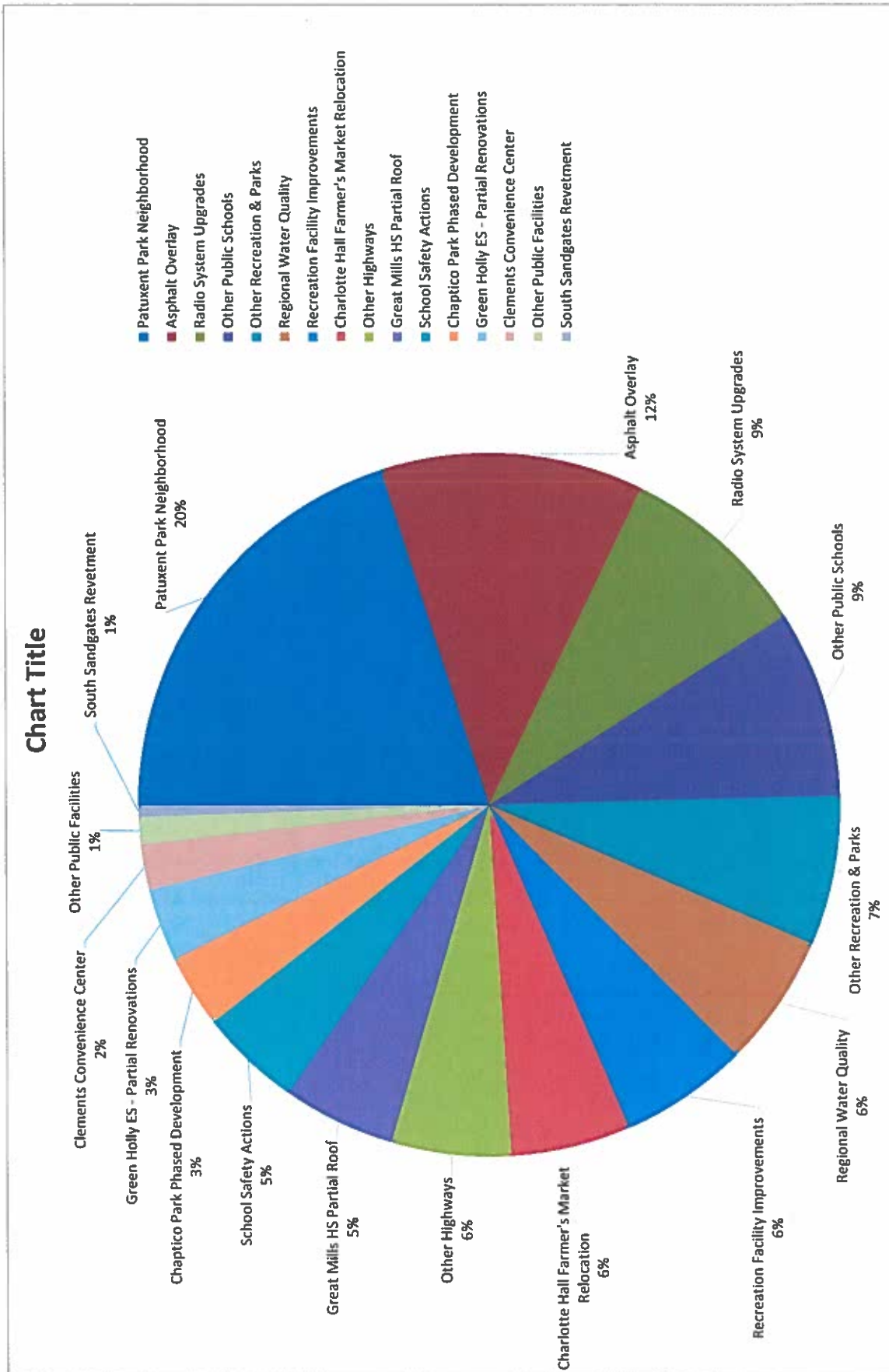
|                                   | FY20   | FY21   | FY22   | FY23   | FY24   | FY25   |
|-----------------------------------|--------|--------|--------|--------|--------|--------|
| Debt Service Amount (in millions) | \$13.7 | \$12.7 | \$13.7 | \$14.1 | \$15.2 | \$16.1 |

As noted previously, our debt and debt service is well within the policy limits set by the Commissioners of St. Mary's County. Throughout the capital budget process, the Commissioners have carefully considered the impact of any proposed plan on its debt capacity. As a part of the budget process, the Commissioners critically evaluate the requests based on priorities and affordability, and each year projects have been deferred, eliminated, and/or adjusted in order to get to a balanced plan, a plan that addresses needs and priorities, which is still well below the stated caps for our debt capacity calculations.

Obtaining this authority is an initial step in the process. It allows the consideration and prioritization of requests. But as has been demonstrated, the County does not immediately convert its authority into debt. Because many of the projects the county has, requires multi-year funding, having adequate authority over a multi-year period is critical. We want to be sure that we can see projects through to their completion.

12-31-2018

| Attachment A<br>List of Projects for Bond Authority | FY2020            |                   |
|---|-------------------|-------------------|
| Charlotte Hall Farmer's Market Relocation           | 1,651,650         |                   |
| Building Services Maint. - Programmatical           | 208,000           |                   |
| Radio System Upgrades                               | 2,625,000         |                   |
| Emergency Center Expansion                          | 170,000           |                   |
| <b>Public Facilities</b>                            |                   | <b>4,654,650</b>  |
| Southampton Neighborhood Revitalization             | 725,220           |                   |
| Regional Water Quality                              | 1,830,501         |                   |
| Patuxent Park Neighborhood                          | 6,000,000         |                   |
| Drainage Improvements - Public Roads                | 300,000           |                   |
| Asphalt Overlay                                     | 3,618,719         |                   |
| Mt. Wolf Roundabout                                 | 523,106           |                   |
| South Shangri La Drive<br>Highways                  | 100,000           | 13,097,546        |
| South Sandgates Revetment<br>Marine                 | 161,448           | 161,448           |
| Clements Convenience Center<br>Solid Waste          | 625,000           | 625,000           |
| St. Clements Island Museum                          | 485,250           |                   |
| Three Notch Trail - Phase 7                         | 700,000           |                   |
| Recreation Facility Improvements                    | 1,772,000         |                   |
| Sports Complex                                      | 370,000           |                   |
| Shannon Farm Property                               | 150,000           |                   |
| Chaptico Park - Phased Development                  | 1,100,000         |                   |
| Lexington Manor Passive Park<br>Recreation & Parks  | 350,000           | 4,927,250         |
| Park Hall ES - Partial Renovation                   | 811,000           |                   |
| Hollywood ES - Partial Renovation                   | 642,000           |                   |
| Green Holly ES - Partial Renovation                 | 1,000,000         |                   |
| Dynard ES Roof/HVAC                                 | 377,106           |                   |
| Great Mills HS Partial Roof                         | 1,558,000         |                   |
| Green Holly ES Switch Gear                          | 348,000           |                   |
| PS Building Infrastructure-Critical                 | 177,000           |                   |
| PS Building Infrastructure-Program                  | 225,000           |                   |
| School Safety Actions<br>Public Schools             | 1,396,000         | 6,534,106         |
| <b>Total Projects</b>                               | <b>30,000,000</b> | <b>30,000,000</b> |





DEBT CAPACITY

| Fiscal year  | 2018           | 2019           | 2020           | 2021           | 2022           | 2023           | 2024           | 2025           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Projected Assessable Base  | 12,432,116,785 | 12,635,740,000 | 12,696,103,000 | 12,861,152,339 | 13,028,347,319 | 13,197,715,835 | 13,369,286,140 | 13,543,086,860 |
| % Increase   | 1.9%           | 1.6%           | 0.4%           | 1.3%           | 1.3%           | 1.3%           | 1.3%           | 1.3%           |
| Legal Debt Limit - 2.15% SB737                                   | 267,290,511    | 271,668,410    | 272,966,215    | 276,514,775    | 280,109,467    | 283,750,890    | 287,439,652    | 291,176,367    |
| Potential Borrowing - County                                     | -              | 30,000,000     | 30,000,000     | -              | 45,000,000     | -              | 50,000,000     | -              |
| Potential Borrowing - METCOM<br>(Based on FY19 METCOM CIB)       | -              | 12,585,037     | 12,914,517     | 10,475,793     | 9,771,424      | 4,536,119      | 10,760,133     | -              |
| Calculations based on potential borrowing                        |                |                |                |                |                |                |                |                |
| Outstanding Debt - METCOM  | 92,021,460     | 97,498,220     | 103,543,796    | 106,906,271    | 109,336,918    | 106,258,219    | 109,209,867    | 101,401,382    |
| Outstanding Debt - County  | 72,744,410     | 93,693,823     | 113,672,752    | 104,957,086    | 140,945,703    | 132,073,437    | 172,884,255    | 163,446,580    |
| Total Debt - County & METCOM                                     | 164,765,870    | 191,192,043    | 217,216,548    | 211,863,357    | 250,282,621    | 238,331,656    | 282,094,122    | 264,847,962    |
| Outstanding Debt as % of Base                                    | 1.33%          | 1.51%          | 1.71%          | 1.65%          | 1.91%          | 1.81%          | 2.11%          | 1.96%          |
| Debt Margin  | 102,524,641    | 80,476,367     | 55,749,667     | 64,651,418     | 29,826,846     | 45,419,234     | 5,345,530      | 26,328,405     |
| 20 years, 4.25% County   |                |                |                |                |                |                |                |                |
| PRINCIPAL  | 8,933,722      | 9,050,587      | 10,021,071     | 8,715,666      | 9,011,383      | 8,872,266      | 9,189,182      | 9,437,675      |
| INTEREST   | 2,399,099      | 2,693,427      | 3,714,941      | 4,051,720      | 4,721,119      | 5,326,814      | 6,048,424      | 6,721,897      |
| Total debt service   | 11,332,821     | 11,744,014     | 13,736,012     | 12,767,386     | 13,732,502     | 14,199,080     | 15,237,606     | 16,159,572     |
| Approved Bond Authority \$66,124,310                             |                |                | 8,428,360      |                |                |                |                |                |
| Bond Authority requested - FY2020                                |                | 57,695,950     | 30,000,000     |                |                |                |                |                |
| Bonds Unissued - beginning of year                               | 32,175,398     | 64,738,782     | 57,695,950     | 66,124,310     | 113,990,088    | 89,727,253     | 113,974,508    | 82,316,476     |
| Borrowing  | -              | (30,000,000)   | (30,000,000)   | -              | (45,000,000)   | -              | (50,000,000)   | -              |
| Adjustments to current unexpended<br>(i.e. FINXX)                | (311,375)      | (7,287,219)    |                |                |                |                |                |                |
| FY2020 - FY2025 Plan Changes                                     | 0              | 0              | 16,704,518     | 23,423,775     | (7,435,014)    | 6,875,801      | 7,289,314      | 23,503,486     |
| Other Funding proposed 12-18-2018<br>Additional for \$30,000,000 |                |                | (8,801,796)    | (7,138,546)    | (1,482,346)    | (790,660)      | (657,346)      | (6,200,000)    |
| GOB Required - as of 5-15-2018                                   | 32,874,759     | 30,244,387     | 29,704,424     | 31,580,549     | 29,654,525     | 18,162,114     | 11,710,000     | -              |
| New Bonds Unissued   | 64,738,782     | 57,695,950     | 66,124,310     | 113,990,088    | 89,727,253     | 113,974,508    | 82,316,476     | 99,619,962     |
| Prior Outstanding Debt   | 80,355,396     | 72,744,410     | 93,693,823     | 113,672,752    | 104,957,086    | 140,945,703    | 132,073,437    | 172,884,255    |
| Plus New Debt  | -              | 30,000,000     | 30,000,000     | -              | 45,000,000     | -              | 50,000,000     | -              |
| Less Principal Payments  | (8,933,722)    | (9,050,587)    | (10,021,071)   | (8,715,666)    | (9,011,383)    | (8,872,266)    | (9,189,182)    | (9,437,675)    |
| Outstanding Debt   | 72,744,410     | 93,693,823     | 113,672,752    | 104,957,086    | 140,945,703    | 132,073,437    | 172,884,255    | 163,446,580    |
| General Fund Operating Budget -<br>Revenues                      | 221,324,105    | 228,070,443    | 234,122,144    | 239,344,697    | 242,410,491    | 247,604,978    | 252,931,849    | 257,990,486    |
| Percent Increase/Change  | 0.5%           | 3.0%           | 2.7%           | 2.2%           | 1.3%           | 2.1%           | 2.2%           | 2.0%           |
| Debt Service   | 11,332,821     | 11,744,014     | 13,736,012     | 12,767,386     | 13,732,502     | 14,199,080     | 15,237,606     | 16,159,572     |
| Debt Service as % of Total Revenues<br>Policy Limit = 10%        | 5.12%          | 5.15%          | 5.87%          | 5.33%          | 5.66%          | 5.73%          | 6.02%          | 6.26%          |

**HB0331 (CH0109)**

2018 Regular Session

**Entitled:** St. Mary's County - Public Facility Bonds  
**Sponsored by:** St. Mary's County Delegation  
**Status:** Approved by the Governor - Chapter 109

|                           |  |
|---------------------------|--|
| <b>Synopsis:</b>          | Authorizing and empowering the County Commissioners of St. Mary's County to borrow not more than \$24,600,000 in order to finance the construction, improvement, or development of certain public facilities in St. Mary's County, and to effect such borrowing by the issuance and sale at public or private sale of its general obligation bonds; etc. |
| <b>Analysis:</b>          | Fiscal and Policy Note   |
| <b>All Sponsors:</b>      | St. Mary's County Delegation   |
| <b>Additional Facts:</b>  | Bill File Type: Regular<br>Effective Date(s): June 1, 2018   |
| <b>Committee(s):</b>      | Appropriations  Budget and Taxation    |
| <b>Broad Subject(s):</b>  | Local Debt (Bond Bills)  |
| <b>Narrow Subject(s):</b> | County and Baltimore City Bonds<br>County Commissioners<br>Public Buildings and Facilities -see also- Stadiums; St Hse<br>Public Works<br>Revenue and Taxes -see also- Dev Fees & Taxes; specific tax<br>St. Mary's County   |
| <b>Statutes:</b>          |  |

April 12, 2018 4:44 P.M.

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 331  
Appropriations

(St. Mary's County Delegation)

Budget and Taxation

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St. Mary's County - Public Facility Bonds

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This bill authorizes the St. Mary's County Commissioners to issue up to \$24.6 million in general obligation bonds for the acquisition, construction, improvement, or renovation of public buildings, facilities, and public works projects. The date of maturity of the bonds cannot exceed 30 years. **The bill takes effect June 1, 2018.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** St. Mary's County anticipates the general obligation bonds authorized by the bill will not be issued until FY 2021; therefore, revenues increase by up to \$24.6 million from bond proceeds in FY 2021. County debt service expenditures increase by an estimated \$1.6 million annually over a 20-year period beginning in FY 2021.

**Small Business Effect:** None.

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Analysis

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

**Background:** Since 2008, St. Mary's County has received authorization by the General Assembly to issue up to \$91.3 million in general obligation bonds for public facilities, as shown in Exhibit 1.

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**Exhibit 1**  
**Bond Authorizations for St. Mary's County**  
**(\$ in Millions)**

| <u>Session</u> | <u>Chapter Number</u> | <u>Authorized Amount</u> |
|----------------|-----------------------|--------------------------|
| 2008           | Ch. 78                | \$35.0                   |
| 2013           | Ch. 96                | 30.0                     |
| 2017           | Ch. 427               | 26.3                     |
| <b>Total</b>   |                       | <b>\$91.3</b>            |

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**Exhibit 2** shows the planned capital projects in St. Mary's County. St. Mary's County estimates that the county will still have approximately \$6.5 million in remaining bond authority from Chapter 427 of 2017, which will also be applied toward these planned capital projects.

**Local Fiscal Effect:** St. Mary's County anticipates the general obligation bonds authorized by the bill will not be issued until fiscal 2021; therefore, revenues increase by up to \$24.6 million from bond proceeds in fiscal 2021. Annual debt service costs for the bonds total approximately \$1.6 million beginning in fiscal 2021. This estimate is based on a 2.63% interest rate and a 20-year term of maturity. To the extent that the bond issuance, interest rate, or term of maturity deviate from this assumption, expenditures would adjust accordingly.

At the end of fiscal 2016, St. Mary's County had approximately \$171.8 million in total outstanding debt, which represents approximately 1.4% of the county's assessable base and \$1,539 on a per capita basis. The county currently has an AA+ rating from Standard and Poor's, an Aa2 credit rating from Moody's Investors Service, and an AA+ rating from Fitch Ratings.

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



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**Exhibit 2**  
**St. Mary's County Bond Authorization Request**  
**2018 Session**

| <u>Project Description</u>  | <u>Amount</u>       |
|---|---------------------|
| Adult Detention Center  | \$238,500           |
| Northern Senior Center – Addition                                     | 892,000             |
| Health Department Renovations   | 282,000             |
| Salt Storage Facility   | 50,000              |
| Patuxent Neighborhood Preservation                                    | 5,644,000           |
| Bridge/Culvert Replacement Repair                                     | 370,000             |
| Retrofit Sidewalk Program   | 280,000             |
| FDR Boulevard Extended  | 11,697,278          |
| Asphalt Overlay   | 3,224,875           |
| Mattapany Road  | 250,000             |
| Essex South Drive Rehabilitation                                      | 100,000             |
| St. Jerome Creek Jetties  | 130,000             |
| St. Clement's Island Museum Renovations                               | 101,500             |
| Snow Hill Park  | 150,000             |
| Three Notch Trail – Phase Seven                                       | 454,000             |
| Recreation Facility and Park Improvements                             | 1,209,000           |
| Sports Complex  | 70,000              |
| Shannon Farm Property   | 75,000              |
| Park Hall ES – Partial Roof/HVAC Replacement & Sewer Lift Station     | 2,148,000           |
| Hollywood ES – Partial Roof/HVAC Replacement & Emergency Power        | 2,165,000           |
| Green Holly ES – Partial Roof Replacement                             | 153,000             |
| Dynard ES –Roof/HVAC Replacement & Emergency Power                    | 265,000             |
| BOE Building Infrastructure – Programmatic                            | 436,000             |
| BOE Building Infrastructure – Critical                                | 564,000             |
| Green Holly ES – Switch Gear & HVAC                                   | 125,000             |
| <b>Total Cost of Projects</b>   | <b>\$31,074,153</b> |
| Less: Estimated Remaining Existing Authority from Chapter 427 of 2017 | 6,474,153           |
| <b>Total Estimated Bond Authority Required</b>                        | <b>\$24,600,000</b> |

BOE: Board of Education  
ES: elementary school  
HVAC: heating, ventilation, and air conditioning

Source: St. Mary's County Government

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 22, 2018  
nb/hlb Third Reader - March 20, 2018

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Analysis by: Trevor S. Owen

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

McGUIREWOODS

## MEMORANDUM

TO: Jeannett Cudmore  
 FROM: Cheryl Guth  
 DATE: November 28, 2018  
 RE: St. Mary's County Outstanding Borrowing Authority

As you requested, here is the status of the various outstanding bond authorizing statutes:

| <u>Bill</u>   | <u>Original Amount</u> | <u>Amount Used to<br/>Date</u> | <u>Available<br/>Balance</u> |
|---------------|------------------------|--------------------------------|------------------------------|
| Ch. 96, 2013  | 30,000,000             | 14,775,690                     | 15,224,310                   |
| Ch. 427, 2017 | 26,300,000             | 0                              | 26,300,000                   |
| Ch. 109, 2018 | <u>24,600,000</u>      | <u>0</u>                       | <u>24,600,000</u>            |
| TOTAL         | <u>\$80,900,000</u>    | <u>\$14,775,690</u>            | <u>\$66,124,310</u>          |

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