

**Capital Debt Affordability Committee**  
**Treasury Building Assembly Room**  
**80 Calvert St.**  
**Annapolis, MD**

**Agenda**

**August 12, 2011**  
**1:00 PM**

**Treasurer's Opening Comments**

**Update on Ratings**

Patti Konrad, Director of Debt Management, State Treasurer's Office

**Background:**

**2011 Legislative Session General Assembly Actions**

Patrick Frank, Manager - Debt Policy, Department of Legislative Services

**Work Group Update**

1. Staff – representatives of CDAC members; i.e., staff from STO, Comptroller's Office, MDOT, DBM, DLS
2. Scope:
  - Guidelines for Inclusion of Energy Performance Leases in CDAC's Affordability Analysis
  - Assumptions
  - Process of allocating tax-supported debt

Patti Konrad, Director of Debt Management, State Treasurer's Office

**Status of Affordability Ratios:**

**Updates from 2010 CDAC Report**

Patti Konrad, Director of Debt Management, State Treasurer's Office

## **Agenda (continued)**

**August 12, 2011**

**1:00 PM**

### **Review of the Size and Condition of Tax Supported Debt:**

- Amount issued in prior five fiscal years
- Amount outstanding
- Amount authorized but unissued
- Debt service projections for the next 10 fiscal years
- Status of refunding potential
- Current projections for new issuances

#### **General Obligation Bonds**

Cindy Reese, Financial Analyst, State Treasurer's Office

#### **Capital Leases**

Patti Konrad, Director of Debt Management, State Treasurer's Office

#### **Consolidated Transportation Bonds**

David Fleming, Chief Financial Officer, Maryland Department of Transportation

#### **Garvee Bonds**

Alison Williams, Director, Debt Management, Maryland Transportation Authority

#### **Maryland Stadium Authority**

David Raith, Chief Financial Officer, Maryland Stadium Authority

#### **Bay Restoration Bonds**

Jag Khuman, Director, Maryland Water Quality Financing Administration

### **Sale Results of General Obligation Bonds 2011 Second Series**

Patti Konrad, Director of Debt Management, State Treasurer's Office

# Update on Ratings

## **Ratings Summary**

### **Moody's**

*July 13*

Confirmed State's Aaa, stable outlook

*August 2*

U.S. Aaa rating confirmed but with negative outlook

*August 4*

Confirmed State's rating as Aaa, but with negative outlook.

Report stated that Moody's will evaluate each outlook on a case by case basis in the coming weeks and within 90 days.

E-mail from Moody's analyst noted that evaluations will assess vulnerability to macroeconomic sensitivity, market risk, exposure for federal spending reductions, and financial reserves.

### **Standard & Poor's**

*July 13*

Confirmed State's AAA, stable outlook

*August 5*

U.S. Long term rating is dropped one notch to AA+

*August 8*

E-mail from S&P analyst confirmed that Maryland's rating did not change from AAA, Stable Outlook.

Report stated that municipal credits should be able to retain ratings above the U.S. sovereign if there is a low level of funding interdependency with the federal government or if the state or local government is likely to manage declines in federal funding without weakening their credit profile.

Per S&P analyst: timetable is dependent on knowing what the federal reductions are AND how the State will manage it.

### **FITCH**

*July 13*

Confirmed State's AAA, stable outlook

*July 19*

Per phone conversation with analyst, there would be no change to the State's rating until there was a clear understanding of federal reductions.

# Background

2011 Legislative Session  
General Assembly Actions

# 2011 Legislative Session General Assembly Highlights

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## Setting Debt Limits

- ***Limited New General Obligation (GO) Bond Debt to \$925 Million:*** In 2010, the Capital Debt Affordability Committee (CDAC) and Spending Affordability Committee (SAC) recommended that net GO bond debt authorized at the 2011 legislative session be limited to \$925 million. Consistent with recommendations, the capital budget bill (House Bill 71/Chapter 396) authorizes \$925 million in net GO debt, \$949 million in new GO debt offset by deauthorizing \$24 million in previously authorized GO debt.
- ***New Academic Revenue Debt Limited to \$27 Million:*** CDAC and SAC recommended that academic revenue bond debt issued in fiscal 2012 be limited to \$27 million. House Bill 748 (Chapter 357) authorizes \$27 million in academic revenue bond (ARB) debt, consistent with the SAC recommendation. The legislation also increases the University System of Maryland's total maximum debt outstanding from \$1,200 million to \$1,400 million.

## Additional Bond Authorizations

- ***Qualified Zone Academy Bonds (QZABs):*** The General Assembly also authorizes \$15.9 million in QZABs in House Bill 86 (Chapter 96). This is the federal 2009 allocation that must be issued by the end of calendar 2011.
- ***GO Bonds Preauthorized:*** The General Assembly authorizes \$316 million in GO bonds that take effect in fiscal 2013, \$132 million for fiscal 2014, and \$7 million for fiscal 2015. The fiscal 2013 preauthorization includes \$72 million in preauthorizations from the 2010 legislative session. The funds primarily support Program Open Space, education, and public safety projects.

## CDAC Policies and Processes

- ***Review of Academic Revenue Bond Capacity to Support Higher Education Infrastructure Improvements:*** The capital budget bill includes \$5 million in GO bonds to support infrastructure improvements. The budget committees express concerns that this is insufficient and request that during 2011, CDAC evaluate the University System's capacity to increase ARB debt \$5 million annually to match \$5 million in GO bonds for multi-year infrastructure improvements.

*Department of Legislative Services*

- ***Energy Performance Contracts:*** House Bill 1310 (Chapter 163) exempts certain energy performance contracts from CDAC's State debt affordability calculation. To be exempted, the energy savings guaranteed by the contractor must equal or exceed the annual capital lease payments. The fiscal 2012 budget's *Joint Chairmen's Report* requires that the Department of General Services report annually on the status of the projects.
  
- ***Spending Affordability Committee and Budget Committees Recommend Review of Debt Affordability Process:*** In December 2010, the Spending Affordability Committee recommended that the State develops a process that sets a comprehensive debt limit annually for all types of State debt. The legislature's budget committees agreed to modify the process but request that the input be received from CDAC prior to changing the current process. The budget committees recommend that CDAC consider the following:
  - CDAC should recommend an aggregate debt limit encompassing all types of State debt;
  - The Administration should recommend a specific limit of each type of debt;
  - Each year, the Governor should include limits to all types of debt in the capital budget bill;
  - The legislature should review the proposed debt limits; and
  - A process that allows the limit to be exceeded under clearly defined circumstances should be developed.



# Work Group Update

Guidelines for Inclusion of Energy  
Performance Leases in CDAC's  
Affordability Analysis

## **Guidelines for Inclusion of Energy Performance Contracts in CDAC's Affordability Analysis**

Reviewed and recommended by CDAC Work Group 8/9/11

### ***Background***

The 2010 CDAC and its Work Group recommended that the Legislature enact legislation to exclude energy leases from affordability studies where such obligations are guaranteed and where budgeted energy savings, not tax dollars, are providing for the lease payment. For the proposed excluded leases, there is not a separate appropriation for debt service on these energy leases; instead, the payment is made from the agency's utility budget.

The legislature did enact legislation in the 2011 Session. Chapter 163 of the 2011 Laws of Maryland, effective June 1, 2011, provides that tax supported debt does not include certain capital leases used to finance energy performance contracts if CDAC determines that the energy savings are:

- Guaranteed by the contractor
- Equal or exceed the capital lease payments on an annual basis
- Monitored in accordance with reporting requirement adopted by CDAC

### ***Work Group Recommendation***

The Work Group has examined the energy leases financed by the State Treasurer's Office and makes the following recommendations.

1. All energy leases that do not have any guarantees should be included as tax supported debt in CDAC's affordability analysis.
2. Prior to the recommendation of the total amount of new State debt that prudently may be authorized for the next fiscal year, CDAC should monitor and review the following:

*If construction of the energy improvement is complete:*

- a. The Guarantee must be current and not expired
- b. If the amount of the Guarantee is greater than or equal to the annual debt service on the lease, the lease will not be included as tax supported debt in CDAC's affordability analysis.

*If the energy project is in construction:*

- c. If the proposed amount of the surety bond that will be posted is greater than or equal to the future annual debt service on the lease, the lease will not be included as tax supported debt in CDAC's affordability analysis.

# Assumptions

## Assumptions for August Affordability Analysis

- Personal Income and Revenues will be updated in September after BRE meets around 9/15
- Interest rates at 5%
- Tax-Supported Debt
  - General Obligation Bonds – no change to authorizations projected in 2010 CDAC
  - Transportation – timing of issuance changed from prior year – there were no MDOT bonds issued in FY 2011; slight increase in revenues due to BRFA bill changes in TTF revenue
  - Bay Bonds – revenues stable compared to last year, timing of issuances changed
  - Garvees – no change from prior year
  - Leases
    - INCLUDED IN TAX SUPPORTED DEBT IN AUGUST 2011**
    - 1. DHMH lab
    - 2. Energy leases that either do not have surety bonds or have surety bonds that are less than annual debt service
    - 3. Arundel Mills VLTS
      - \$83.3 million projected financing compared to \$134 million in 2010 analysis
    - NOT INCLUDED IN TAX SUPPORTED DEBT IN AUGUST 2011**
    - 1. State Center Garage
    - 2. Rocky Gap and Baltimore City VLTS
  - Stadium Authority – qualified energy leases are not included nor is any financing for convention center improvements; no change to prior year projections
- Other debt not included in CDAC analysis:
  - Baltimore City School Bonds
  - Charles Co. Courthouse
  - Maryland Clean Energy Center

**Status of Affordability Ratios:  
Updates from 2010 CDAC Report**

Projected Personal Income and Revenues  
As of August 2011

## MARYLAND PERSONAL INCOME AND POPULATION

Historical Data through 2010  
Projections 2011 - 2021

DATA Updated July 2011

<u>Calendar Year</u>	<u>Personal Income</u> <i>(\$ in millions)</i>	<u>% Change</u>	<u>Population</u> <i>(thousands)</i>	<u>% Change</u>
2001	\$ 194,581	5.65%	5,414	1.95%
2002	\$ 201,793	3.71%	5,479	1.20%
2003	\$ 209,701	3.92%	5,534	1.00%
2004	\$ 224,646	7.13%	5,582	0.87%
2005	\$ 237,146	5.56%	5,621	0.70%
2006	\$ 252,431	6.45%	5,650	0.52%
2007	\$ 264,798	4.90%	5,677	0.48%
2008	\$ 274,286	3.58%	5,711	0.60%
2009	\$ 274,980	0.25%	5,760	0.86%
2010	\$ 282,770	2.83%	5,822	1.08%
2011	\$ 292,598	3.48%	5,866	0.76%
2012	\$ 305,897	4.55%	5,900	0.58%
2013	\$ 321,864	5.22%	5,932	0.54%
2014	\$ 339,119	5.36%	5,963	0.52%
2015	\$ 357,600	5.45%	5,993	0.50%
2016	\$ 373,764	4.52%	6,023	0.50%
2017	\$ 388,752	4.01%	6,053	0.50%
2018	\$ 403,797	3.87%	6,082	0.48%
2019	\$ 419,343	3.85%	6,112	0.49%
2020	\$ 436,158	4.01%	6,140	0.46%
2021	\$ 453,561	3.99%	6,170	0.49%

<p>4.40% Average rate of personal income growth for 10 year period 2001 through 2010 4.41% Median rate of personal income growth for 10 year period 2001 through 2010</p>
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Sources: Personal Income  
2001 - 2010 Bureau of Economic Analysis, U.S. Dept. of Commerce  
2011 - 2021 BRE

Population  
2000 - 2009 Census Bureau, U.S. Dept. of Commerce  
2010 - 2021 Forecast: Moody's Analytics July 2011 forecast



MARYLAND STATE REVENUE PROJECTIONS  
(\$ in millions)

Fiscal Year	General Fund Revenue	% Growth of GF	Property Taxes	% Growth of Prop. Taxes	Use of Premium and Misc. ABF Receipts	US Treasury Subsidy - Direct Subsidy Bonds	Educational Trust Fund (VLT revenues)	Transfer Taxes	Total	Transportation Revenues	Stadium Related Revenues	Garvee Bonds	Bay Restoration Fund	Total Revenues	Percent Change of Total Revenues
1999	\$8,524.0	5.9%	\$246.9		\$11.0				\$8,781.9	\$1,462.6	\$24.5			\$10,269.0	6.11%
2000	\$9,220.0	8.2%	\$250.8		\$12.6				\$9,483.4	\$1,568.4	\$21.2			\$11,073.0	7.83%
2001	\$9,802.0	6.3%	\$257.1		\$11.4				\$10,070.5	\$1,615.0	\$27.6			\$11,713.1	5.78%
2002	\$9,504.0	-3.0%	\$270.0		\$25.5				\$9,799.5	\$1,663.0	\$27.2			\$11,489.7	-1.91%
2003	\$9,409.8	-1.0%	\$286.0		\$36.7				\$9,732.5	\$1,603.0	\$21.9			\$11,357.4	-1.15%
2004	\$10,204.3	8.4%	\$468.4		\$97.2				\$10,769.8	\$1,884.0	\$22.2			\$12,676.1	11.61%
2005	\$11,548.0	13.2%	\$516.5	10.3%	\$94.5				\$12,159.1	\$2,085.0	\$21.7			\$14,265.8	12.54%
2006	\$12,390.3	7.3%	\$575.1	11.3%	\$46.4				\$13,011.8	\$2,122.0	\$21.4			\$15,155.2	6.23%
2007	\$12,940.2	4.4%	\$552.7	-3.9%	\$37.6				\$13,530.4	\$2,100.0	\$21.2			\$15,651.6	3.28%
2008	\$13,545.6	4.7%	\$625.7	13.2%	\$37.1				\$14,208.4	\$2,009.0	\$21.5	\$441.3	\$55.0	\$16,735.2	6.92%
2009	\$12,900.5	-4.8%	\$698.6	11.6%	\$79.2				\$13,678.2	\$2,140.3	\$20.0	\$441.3	\$53.3	\$16,333.2	-2.40%
2010	\$12,587.1	-2.4%	\$742.9	6.3%	\$67.8	\$0.9	\$11.0		\$13,409.7	\$2,135.8	\$20.0	\$441.3	\$54.8	\$16,061.6	-1.66%
2011	\$13,162.7	4.6%	\$801.1	7.8%	\$80.6	\$9.2	\$82.8	\$113.8	\$14,250.1	\$2,229.0	\$23.7	\$540.2	\$55.4	\$17,098.3	6.45%
2012	\$13,910.0	5.7%	\$761.8	-4.9%	\$60.0	\$11.5	\$127.5	\$118.9	\$14,989.7	\$2,219.0	\$24.5	\$440.4	\$55.9	\$17,729.5	3.69%
2013	\$14,493.8	4.2%	\$737.0	-3.3%	\$2.2	\$12.0	\$286.6	\$134.0	\$15,665.6	\$2,474.0	\$24.2	\$440.4	\$56.5	\$18,660.6	5.25%
2014	\$15,188.9	4.8%	\$711.5	-3.5%	\$2.2	\$12.0	\$471.3	\$157.4	\$16,543.3	\$2,668.0	\$24.2	\$440.4	\$57.0	\$19,733.0	5.75%
2015	\$15,864.8	4.4%	\$711.8	0.0%	\$2.2	\$12.0	\$512.3	\$174.2	\$17,277.3	\$2,764.0	\$23.0	\$440.4	\$57.6	\$20,562.3	4.20%
2016	\$16,565.6	4.4%	\$712.1	0.0%	\$2.2	\$12.0	\$549.4	\$177.8	\$18,019.0	\$2,822.0	\$23.1	\$440.4	\$58.2	\$21,362.7	3.89%
2017	\$17,311.0	4.5%	\$729.9	2.5%	\$2.2	\$12.0	\$560.4	\$182.2	\$18,797.6	\$2,857.0	\$23.2	\$440.4	\$58.8	\$22,177.0	3.81%
2018	\$18,090.0	4.5%	\$748.1	2.5%	\$2.2	\$12.0	\$571.6	\$186.8	\$19,610.7	\$2,910.0	\$23.2	\$440.4	\$59.4	\$23,043.7	3.91%
2019	\$18,904.0	4.5%	\$766.8	2.5%	\$2.2	\$12.0	\$583.1	\$191.4	\$20,459.5	\$2,961.0	\$22.9	\$440.4	\$60.0	\$23,943.7	3.91%
2020	\$19,754.7	4.5%	\$786.0	2.5%	\$2.2	\$11.2	\$594.7	\$196.2	\$21,345.0	\$3,013.0	\$22.9	\$440.4	\$60.6	\$24,881.8	3.92%
2021	\$20,643.7	4.5%	\$805.6	2.5%	\$2.2	\$10.4	\$606.6	\$201.1	\$22,269.6	\$3,058.0	\$8.7	n/a	\$61.2	\$25,397.5	2.07%

General Fund:

1999 - 2021: Bureau of Revenue Estimates

Property Tax and Use of Premium Revenues:

1999 - 2010: State Budget Books

2011 - 2021 : Dept. of Budget and Management, STO, Department of Assessments and Taxation

US Treasury Subsidy - Direct Subsidy Bonds including Build America, Qualified School Construction, Qualified Zone Academy, and Qualified Energy Conservation Bonds

Educational Trust Fund (slots revenues)

2011 - 2016 - Dept. of Budget and Management

2017 through 2021, projected at 2% growth

Transfer Taxes

2011 - 2016: Bureau of Revenue Estimates

2017 - 2021: Projected at growth rate of 2.5%

Transportation Revenues:

1999-2021: Department of Transportation, Office of Finance, updated June 2011

Revenues consist of Taxes and Fees, Operating Revenue, Other Revenue, (including investment revenue) and federal funds for operations; MdTA transfers are deducted.

Garvee Bond Revenues:

2008-2021: Federal highway capital revenues; source MdTA, June 2011 DEBT SERVICE GOES TO 0 IN 2021; no revenues to be included in 2021

Stadium Revenues:

represents lottery revenues transferred to the Stadium Authority net of debt service on the 2010 & 2011 Sports Facilities Revenue Bonds PLUS Camden Yards revenues and Hippodrome ticket charge revenues

Bay Restoration Fund Revenues:

2008-2021 total program revenues; source MDE, MWQFA, updated May 2011

Debt Outstanding to Personal Income  
As of August 2011

**STATE TAX SUPPORTED DEBT OUTSTANDING  
COMPONENTS AND RELATIONSHIP TO PERSONAL INCOME**  
(\$ in thousands)

**TABLE 1**

**Aug-11**

Fiscal Years 2002-2011 are final; Fiscal Years 2012-2021 are projections

Fiscal Year	Department of Transportation							Total Tax Supported Debt Outstanding	Fiscal Year
	General Obligation Bonds	Consolidated Transportation Bonds	County Transportation Bonds (b)	Total DOT	Capital Leases	Stadium Authority	Bay Restoration Bonds		
	(a)				(c) (d)				
2002	\$3,544,178	\$714,150	\$3,155	\$717,305	\$186,238	\$277,995		\$4,725,716	2002
2003	\$3,932,493	\$961,245	\$2,440	\$963,685	\$193,136	\$323,240		\$5,412,554	2003
2004	\$4,102,278	\$1,185,650	\$1,675	\$1,187,325	\$198,585	\$320,955		\$5,809,143	2004
2005	\$4,511,826	\$1,069,945	\$865	\$1,070,810	\$175,062	\$309,195		\$6,066,893	2005
2006	\$4,868,471	\$1,078,475	\$0	\$1,078,475	\$226,898	\$296,820		\$6,470,664	2006
2007	\$5,142,154	\$1,111,050	\$0	\$1,111,050	\$247,939	\$283,090		\$7,109,233	2007
2008	\$5,493,830	\$1,268,815	\$0	\$1,268,815	\$247,427	\$271,570	\$50,000	\$7,632,297	2008
2009	\$5,873,643	\$1,582,605	\$0	\$1,582,605	\$266,757	\$256,013	\$46,825	\$8,730,208	2009
2010	\$6,523,222	\$1,645,010	\$0	\$1,645,010	\$242,636	\$243,557	\$44,185	\$9,350,406	2010
2011	\$6,982,846	\$1,562,000	\$0	\$1,562,000	\$166,636	\$225,743	\$41,560	\$9,575,700	2011
2012	\$7,428,067	\$1,829,000	\$0	\$1,829,000	\$329,820	\$206,516	\$88,820	\$10,421,578	2012
2013	\$7,808,767	\$2,050,000	\$0	\$2,050,000	\$388,686	\$186,020	\$253,764	\$11,166,272	2013
2014	\$8,134,788	\$2,234,000	\$0	\$2,234,000	\$345,067	\$164,213	\$400,884	\$11,694,726	2014
2015	\$8,419,047	\$2,349,000	\$0	\$2,349,000	\$303,855	\$142,367	\$480,183	\$12,043,892	2015
2016	\$8,619,791	\$2,487,000	\$0	\$2,487,000	\$261,685	\$124,161	\$453,919	\$12,226,337	2016
2017	\$8,793,705	\$2,507,000	\$0	\$2,507,000	\$226,898	\$106,173	\$426,277	\$12,266,643	2017
2018	\$9,001,195	\$2,516,000	\$0	\$2,516,000	\$213,550	\$86,931	\$397,172	\$12,344,528	2018
2019	\$9,270,398	\$2,561,000	\$0	\$2,561,000	\$200,359	\$66,787	\$366,525	\$12,513,934	2019
2020	\$9,568,612	\$2,598,000	\$0	\$2,598,000	\$186,684	\$45,225	\$334,134	\$12,732,654	2020
2021	\$9,914,174	\$2,597,000	\$0	\$2,597,000	\$172,798	\$36,840	\$299,987	\$13,020,799	2021

**State Tax Supported Debt Outstanding as a Percent of Personal Income  
(Affordability criteria standard = 4.0%)**

2002	1.76%	0.35%	0.00%	0.36%	0.09%	0.14%			<b>2.34%</b>	2002
2003	1.88%	0.46%	0.00%	0.46%	0.09%	0.15%			<b>2.58%</b>	2003
2004	1.83%	0.53%	0.00%	0.53%	0.09%	0.14%			<b>2.59%</b>	2004
2005	1.90%	0.45%	0.00%	0.45%	0.07%	0.13%			<b>2.56%</b>	2005
2006	1.93%	0.43%	0.00%	0.43%	0.09%	0.12%			<b>2.56%</b>	2006
2007	1.94%	0.42%	0.00%	0.42%	0.09%	0.11%		0.12%	<b>2.68%</b>	2007
2008	2.00%	0.46%	0.00%	0.46%	0.09%	0.10%	0.02%	0.11%	<b>2.78%</b>	2008
2009	2.14%	0.58%	0.00%	0.58%	0.10%	0.09%	0.02%	0.26%	<b>3.17%</b>	2009
2010	2.31%	0.58%	0.00%	0.58%	0.09%	0.09%	0.02%	0.23%	<b>3.31%</b>	2010
2011	2.39%	0.53%	0.00%	0.53%	0.06%	0.08%	0.01%	0.20%	<b>3.27%</b>	2011
2012	2.43%	0.60%	0.00%	0.60%	0.11%	0.07%	0.03%	0.18%	<b>3.41%</b>	2012
2013	2.43%	0.64%	0.00%	0.64%	0.12%	0.06%	0.08%	0.15%	<b>3.47%</b>	2013
2014	2.40%	0.66%	0.00%	0.66%	0.10%	0.05%	0.12%	0.12%	<b>3.45%</b>	2014
2015	2.35%	0.66%	0.00%	0.66%	0.08%	0.04%	0.13%	0.10%	<b>3.37%</b>	2015
2016	2.31%	0.67%	0.00%	0.67%	0.07%	0.03%	0.12%	0.07%	<b>3.27%</b>	2016
2017	2.26%	0.64%	0.00%	0.64%	0.06%	0.03%	0.11%	0.05%	<b>3.16%</b>	2017
2018	2.23%	0.62%	0.00%	0.62%	0.05%	0.02%	0.10%	0.03%	<b>3.06%</b>	2018
2019	2.21%	0.61%	0.00%	0.61%	0.05%	0.02%	0.09%	0.01%	<b>2.98%</b>	2019
2020	2.19%	0.60%	0.00%	0.60%	0.04%	0.01%	0.08%	0.00%	<b>2.92%</b>	2020
2021	2.19%	0.57%	0.00%	0.57%	0.04%	0.01%	0.07%	0.00%	<b>2.87%</b>	2021

(a) Reflects presumed authorizations as follows:

General Assembly Session:	2011	2012	2013	2014	2015
Fiscal Year/Capital Budget:	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
(in millions)	\$925	\$925	\$925	\$935	945

(b) Net of sinking funds or debt service reserve funds.

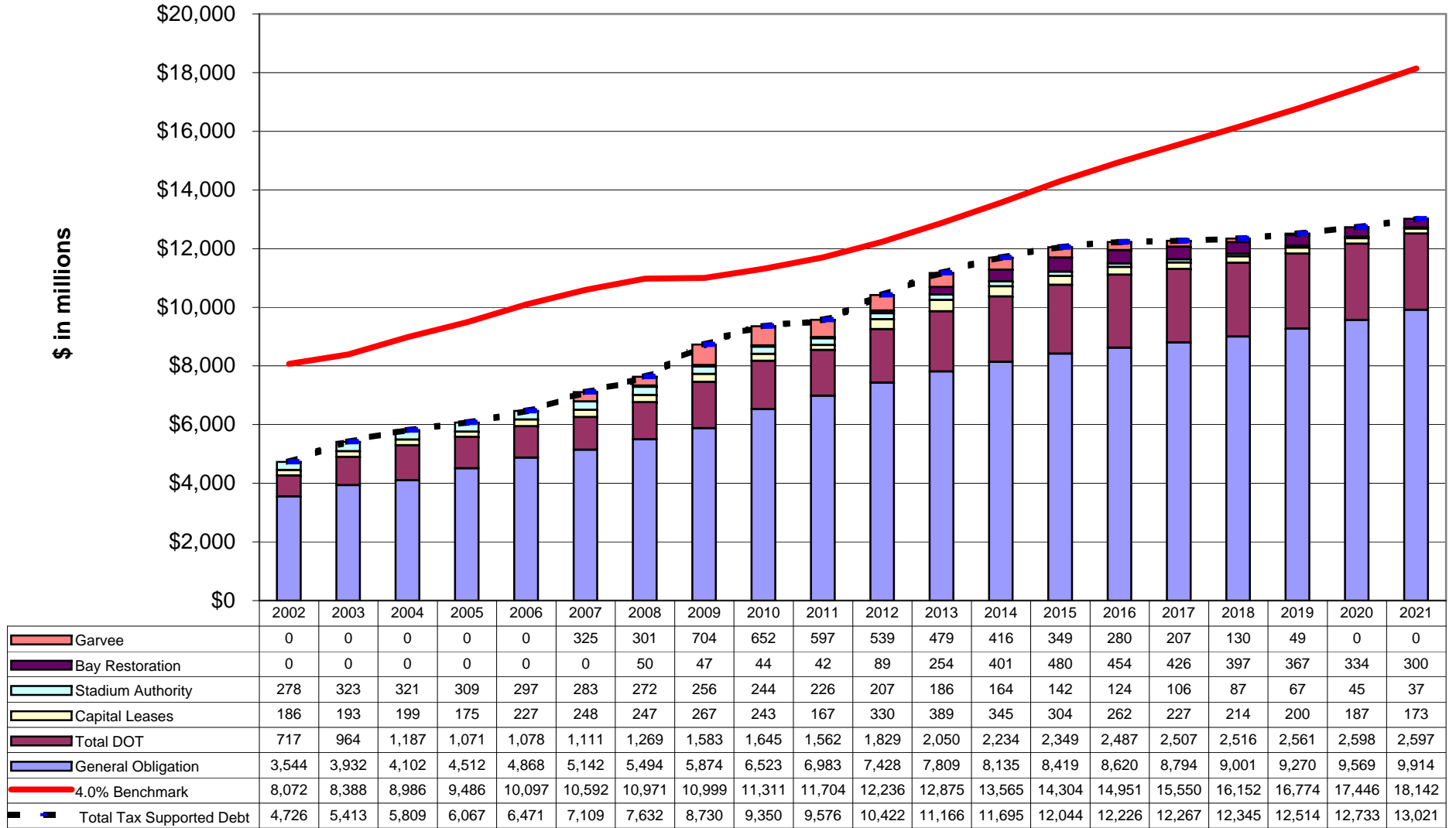
(c) Includes financings for multi-agency office buildings in St. Mary's and Calvert Counties, district court facilities in Baltimore and Prince George's Counties, headquarters building for MDOT, shuttle buses at BWI, water and waste water facility at ECI, and public health lab.

(d) Leases include equipment, video lottery terminals and energy leases that do not have guaranteed energy savings = or > debt service.

Issuance Assumptions: (\$ in millions)	2012	2013	2014	2015	2016
G.O. issues	\$960	\$945	\$940	\$935	\$940
DOT issues	\$370.0	\$330.0	\$315.0	\$270.0	\$305.0
Stadium Authority issues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
New Capital Leases - Equip. & EPC	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0
New Capital leases - VLTs	\$0.0	\$85.0	\$0.0	\$0.0	\$0.0
Garvee Bond Issues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Bay Bonds Issues	\$50.0	\$170.0	\$160.0	\$100.0	\$0.0
<b>Personal Income (billions) (Appendix A-1)</b>	<b>\$305.9</b>	<b>\$321.9</b>	<b>\$339.1</b>	<b>\$357.6</b>	<b>\$373.8</b>

## Tax Supported Debt Outstanding to Personal Income as of August 2011

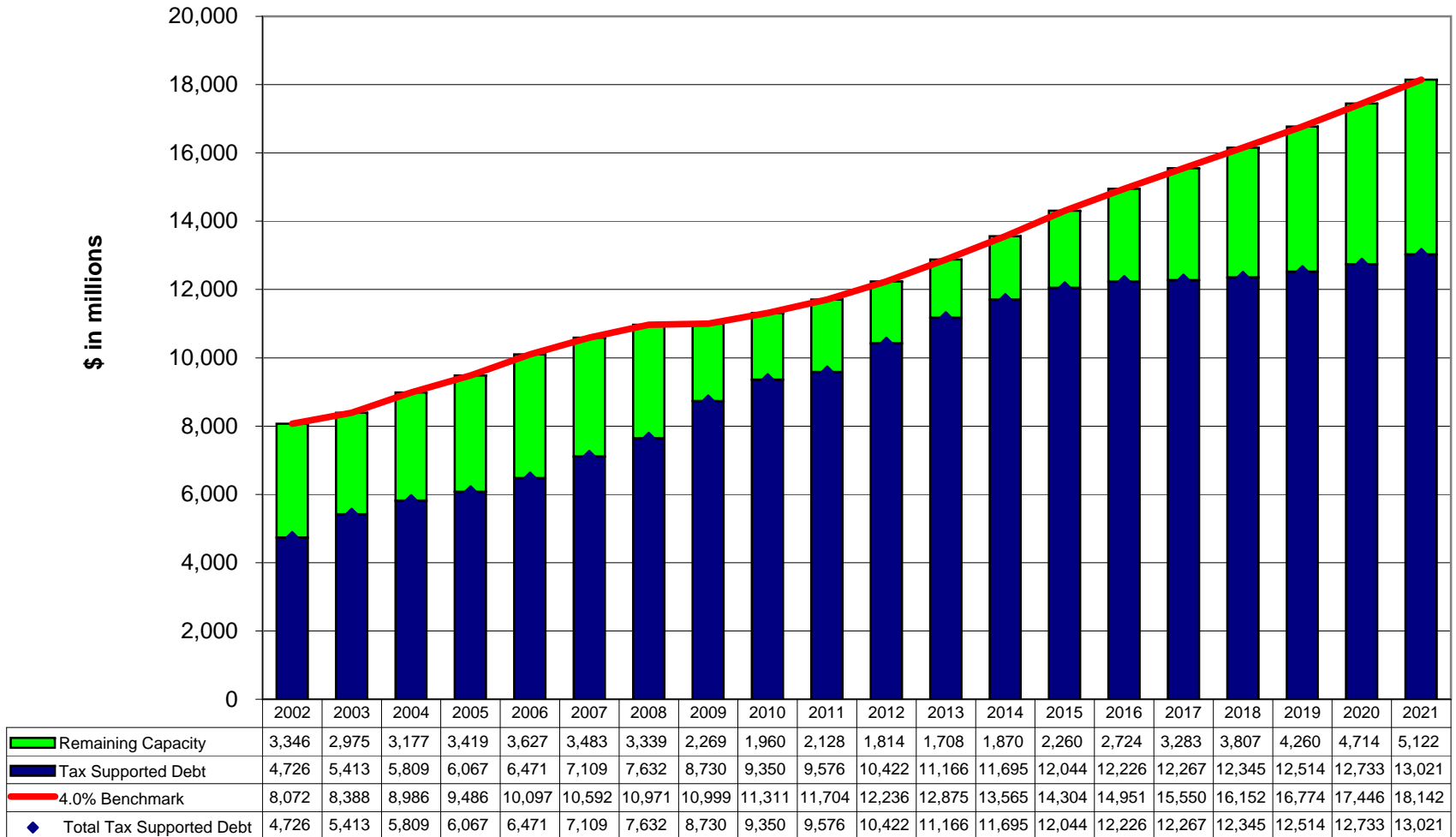
Fiscal Years 2002-2011 are final; Fiscal Years 2012-2020 are projections



Source: Table 1 as of August 2011

## Available Debt Capacity Using the 4.0% Criterion as of August 2011

Fiscal Years 2002-2011 are final; Fiscal Years 2012-2020 are projections.



source: Table 1 as of August 2011

Debt Service to Revenues  
As of August 2011

TABLE 2A

**STATE TAX SUPPORTED DEBT SERVICE**  
**STATE TAX SUPPORTED DEBT SERVICE AS A PERCENT OF REVENUES**  
(Affordability criteria standard = 8% )  
(\$ in thousands)  
as of August 2011  
Fiscal Years 2002-2011 are final; Fiscal years 2012-2021 are projections.

Fiscal Year	General Obligation Bonds	DOT Consolidated Bonds		Stadium Authority	Bay Restoration Bonds	Garvee Bonds	Total Tax Supported Debt Service	Total Revenues	Total Tax Supported Debt Service as a % of Revenues		Fiscal Year
		(a)	(b)						(c)	(d)	
2002	\$495,217	\$113,178	\$37,979	\$27,383			\$673,757	\$11,489,682	5.86%		2002
2003	\$496,870	\$128,694	\$46,152	\$27,035			\$698,751	\$11,357,434	6.15%		2003
2004	\$536,819	\$134,910	\$52,117	\$27,333			\$751,179	\$12,676,056	5.93%		2004
2005	\$553,783	\$153,655	\$52,239	\$30,480			\$790,157	\$14,265,771	5.54%		2005
2006	\$625,208	\$141,172	\$43,532	\$31,713			\$841,625	\$15,155,236	5.55%		2006
2007	\$654,055	\$118,424	\$41,636	\$31,725			\$845,840	\$15,651,623	5.40%		2007
2008	\$692,539	\$121,390	\$47,357	\$32,108		\$36,091	\$929,484	\$16,735,213	5.55%		2008
2009	\$744,799	\$142,355	\$50,783	\$31,935	\$4,655	\$40,364	\$1,014,892	\$16,333,158	6.21%		2009
2010	\$777,523	\$150,954	\$47,460	\$32,054	\$4,710	\$87,458	\$1,100,158	\$16,061,611	6.85%		2010
2011	\$834,833	\$159,000	\$35,252	\$32,464	\$4,616	\$87,455	\$1,153,619	\$17,098,341	6.75%		2011
2012	\$881,029	\$182,000	\$38,125	\$32,776	\$4,614	\$87,457	\$1,226,001	\$17,729,531	6.92%		2012
2013	\$922,720	\$200,000	\$43,850	\$32,779	\$9,598	\$87,451	\$1,296,399	\$18,660,594	6.95%		2013
2014	\$990,461	\$231,000	\$62,756	\$32,861	\$26,531	\$87,458	\$1,431,067	\$19,732,971	7.25%		2014
2015	\$1,044,269	\$263,000	\$64,173	\$31,631	\$42,473	\$87,454	\$1,533,000	\$20,562,296	7.46%		2015
2016	\$1,129,879	\$283,000	\$64,300	\$26,672	\$52,434	\$87,450	\$1,643,736	\$21,362,681	7.69%		2016
2017	\$1,184,623	\$326,000	\$55,320	\$25,402	\$52,405	\$87,452	\$1,731,201	\$22,176,983	7.81%		2017
2018	\$1,241,147	\$338,000	\$32,926	\$25,442	\$52,364	\$87,457	\$1,777,336	\$23,043,650	7.71%		2018
2019	\$1,271,574	\$320,000	\$32,312	\$25,099	\$52,322	\$87,452	\$1,788,759	\$23,943,698	7.47%		2019
2020	\$1,324,128	\$311,000	\$32,312	\$25,117	\$52,434	\$51,365	\$1,796,357	\$24,881,837	7.22%		2020
2021	\$1,360,180	\$349,000	\$31,996	\$10,952	\$52,435	\$0	\$1,804,563	\$25,397,493	7.11%		2021

Assumptions: See Table 1

(a) Includes payments for 2001, 2004, 2006, 2007, 2008, 2009, 2010 and 2011 Qualified Zone Academy Bonds (QZAB's).

(b) Does not include debt service on county transportation bonds. Highway user revenues from counties exceed debt service requirements.

(c) Includes debt service on financings for multi-agency office buildings in St. Mary's and Calvert Counties, district court facilities in Baltimore and Prince George's Counties, headquarters building for MDOT, shuttle buses at BWI, water and wastewater facility at ECI, and the public health lab.

(d) Debt service on leases include equipment, video lottery terminals and energy leases that do not have guaranteed energy savings = or > than debt service.

TABLE 2B

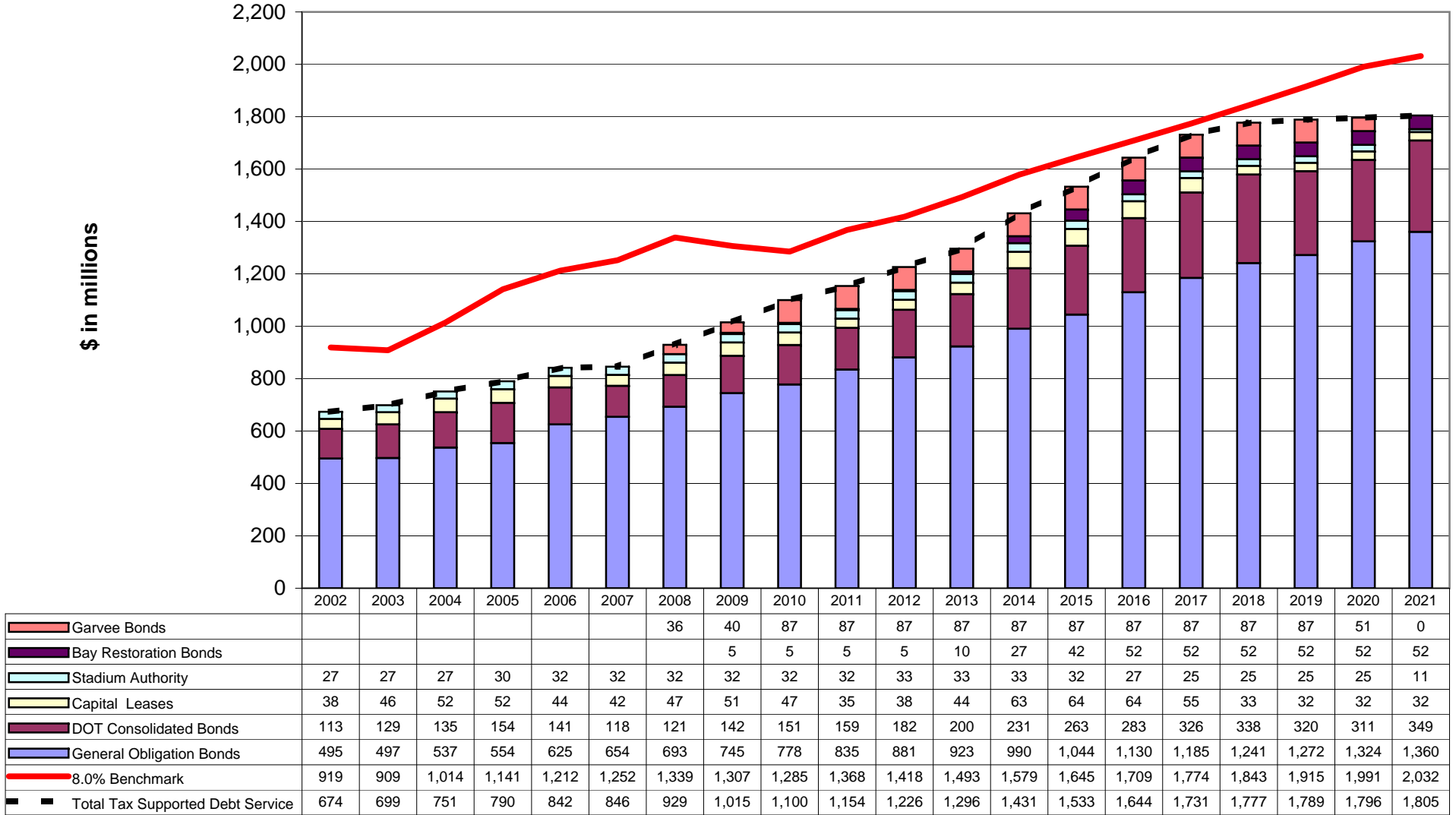
**STATE TAX SUPPORTED DEBT SERVICE AS A PERCENT OF DEDICATED REVENUES**

Fiscal Year	General Obligation Bonds	DOT Consolidated Bonds		Stadium Authority	Bay Restoration Bonds	Garvee Bonds
		(a)	(b)			
2002	5.05%	6.81%	0.40%	100.56%		
2003	5.11%	8.03%	0.49%	123.17%		
2004	4.98%	7.16%	0.51%	122.93%		
2005	4.55%	7.37%	0.45%	140.40%		
2006	4.80%	6.65%	0.35%	147.99%		
2007	4.83%	5.64%	0.32%	149.65%		
2008	4.87%	6.04%	0.35%	149.34%	8.18%	
2009	5.45%	6.65%	0.39%	159.68%	8.73%	9.15%
2010	5.80%	7.07%	0.38%	160.27%	8.59%	19.82%
2011	5.86%	7.13%	0.27%	137.26%	8.34%	16.19%
2012	5.88%	8.20%	0.27%	133.65%	8.25%	19.86%
2013	5.89%	8.08%	0.30%	135.68%	16.99%	19.86%
2014	5.99%	8.66%	0.41%	135.65%	46.51%	19.86%
2015	6.04%	9.52%	0.40%	137.50%	73.72%	19.86%
2016	6.27%	10.03%	0.39%	115.57%	90.11%	19.86%
2017	6.30%	11.41%	0.32%	109.44%	89.17%	19.86%
2018	6.33%	11.62%	0.18%	109.50%	88.21%	19.86%
2019	6.22%	10.81%	0.17%	109.69%	87.27%	19.86%
2020	6.20%	10.32%	0.16%	109.75%	86.59%	11.66%
2021	6.11%	11.41%	0.15%	125.92%	85.73%	n/a

Note: Unlike Table 2A, Table 2B ratios are serviced by separate and specific revenue sources and have different denominators; therefore, ratios cannot be added across to provide a sum of combined ratio totals. Refer to "Appendix A-2, Revenue Projections."

## Tax Supported Debt Service to Revenues as of AUGUST 2011

Fiscal Years 2002-2011 are final; Fiscal Years 2012-2021 are projections.

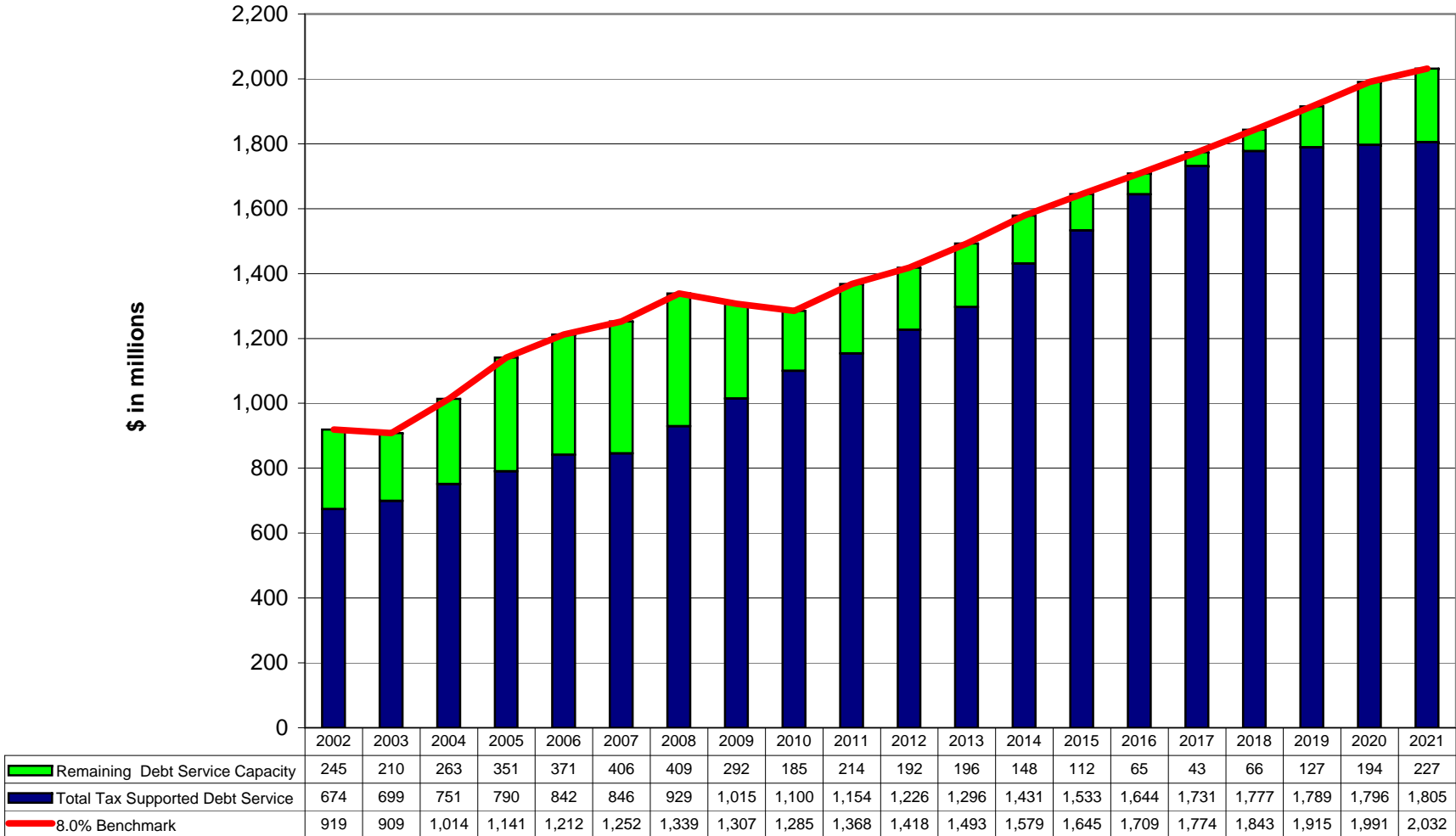


Source: Table 2A as of Aug. 2011



## Available Debt Service Capacity Using the 8.0% Criterion as of AUGUST 2011

Fiscal Years 2002-2011 are final; Fiscal Years 2012-2021 are projections.



Source: Table 2A as of Aug. 2011

# Review of the Size and Condition of Tax Supported Debt

# General Obligation Bonds

An Update of the Condition of  
Maryland GO Bonds  
for the  
2011 Capital Debt Affordability  
Committee



# Topics of Discussion

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- Fiscal Year 2011 – Year in Review
- Amount of Bonds Issued in Prior Five Fiscal Years
- Amount Outstanding and Amount Authorized but Unissued as of June 30, 2011
- Current Projections for New Issuances
- Debt Service Projections for the next 10 Fiscal Years
- Interest Rates since 1988
- Status of Refunding Potential
- Status of Taxable Debt
- Use of Variable Rate Debt, Derivatives, GICS

# Fiscal Year 2011 – Year in Review

## *Fiscal Year 2011 Bond Sales Totaling \$974.7 Million*

Series	Dates of Sales	Tax-Exempt Competitive	Tax-Exempt Negotiated	Taxable Direct Subsidy	Maturities	Overall Tax-Exempt TIC
2010 Second Series A	7/23/10 & 7/26/10		\$143.3 million		2013-2018	2.08%
2010 Second Series B	7/28/10	\$221.7 million			2013-2017, 2019-2021	
2010 Second Series C BAB	7/28/10			\$75.0 million	2022-2025	
2010 Second Series D QSCB	7/28/10			\$45.2 million	2025	.04% (a)
2010 QZAB	11/29/10			\$4.5 million	2025	0% (a)
2011 First Series A	3/4/11 & 3/7/11		\$130.8 million		2014-2026	3.33%
2011 First Series B	3/9/11	\$354.2 million			2014-2026	

(a) *The 2010 Qualified School Construction Bonds (QSCBs) and the 2010 Qualified Zone Academy Bonds (QZABs) are special, federally-authorized taxable direct subsidy bonds where the subsidy payment is equal to the lesser of the tax credit rate as determined by the U.S. Treasury or the taxable interest rate on the bonds as established at the time of the sale. The State will receive 100% of the interest as a direct subsidy for the 2010 Second Series D QSCBs and the 2010 QZABs.*



# Fiscal Year 2011 – Year in Review

## Debt Savings in FY 2011

DATE	SERIES	ISSUE SIZE	ISSUE	PV SAVINGS
August 2010	2010 Second Series C	\$ 75,000,000	Build America Direct Subsidy Bonds	\$ 2,844,217
August 2010	2010 Second Series D	\$ 45,175,000	QSCB Direct Subsidy Bonds	\$21,706,507
December 2010	2010 Qualified Zone Academy Bonds	\$ 4,543,000	QZAB Direct Subsidy Bonds	\$ 1,076,137
<b>TOTALS</b>				<b>\$25,626,861</b>

*Savings for BABS, QSCBs, QZABs are calculated compared to tax-exempt yields at the time of issue.*



# Amount of Bonds Issued in Prior Five Fiscal Years

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- Historical Data on GO Bonds is in Appendix C-1 of the CDAC Report.
- Beginning in FY 2007 through FY 2011, Maryland has issued \$5,284.4 million in General Obligation Bonds consisting of:
  - \$3,716.8 million in tax-exempt bonds
  - \$583.2 million in taxable, direct subsidy Build America Bonds
  - \$25.0 million in Qualified Zone Academy Bonds (QZAB)
  - \$863.9 million in tax-exempt refunding bonds
  - \$95.5 million in Qualified School Construction Bonds (QSCB)



**Historical Data - General Obligation Debt**  
 (\$ in thousands)

Fiscal Year	Summary of Authorizations				Summary of Debt Activity				Summary of Debt Service				
	Authorized	Cancelled	New Issuances	Authorized but Unissued	New Issuances	Refunding	Redeemed	Refunded	Outstanding at Fiscal Year End	Gross Total	Repayable	Assumed	Net
	(a)									Adjustment (b)			
1973	\$463,565	\$9,152	\$193,505	\$1,256,159	\$193,505		\$51,017		\$1,018,664	\$88,836	(\$9,912)	\$45,766	\$35,854
1974	\$412,827	\$16,058	\$162,150	\$1,490,778	\$162,150		\$59,823		\$1,120,991	\$105,394	(\$9,405)	\$45,684	\$36,279
1975	\$375,956	\$35,267	\$353,615	\$1,477,852	\$353,615		\$72,452		\$1,402,154	\$125,787	(\$11,581)	\$44,674	\$33,094
1976	\$180,181	\$20,465	\$391,605	\$1,245,963	\$391,605		\$83,416		\$1,710,343	\$155,462	(\$11,072)	\$44,186	\$33,114
1977	\$169,908	\$653	\$448,200	\$967,018	\$448,200		\$92,633		\$2,065,910	\$184,751	(\$11,963)	\$43,425	\$31,462
1978	\$190,896	\$4,577	\$218,145	\$935,192	\$218,145		\$111,095		\$2,172,960	\$216,797	(\$14,066)	\$42,459	\$28,393
1979	\$155,887	\$61,422	\$115,350	\$914,307	\$115,350		\$134,235		\$2,154,075	\$244,653	(\$14,503)	\$39,599	\$25,096
1980	\$205,510	\$72,819	\$117,310	\$929,688	\$117,310		\$162,255		\$2,109,130	\$269,054	(\$15,052)	\$37,425	\$22,373
1981	\$182,418	\$16,335	\$271,065	\$824,706	\$271,065		\$176,140		\$2,204,055	\$286,003	(\$15,946)	\$35,841	\$19,895
1982	\$184,998	\$22,391	\$188,180	\$799,133	\$188,180		\$184,575		\$2,207,660	\$311,372	(\$16,253)	\$33,947	\$17,694
1983	\$190,250	\$8,851	\$392,230	\$588,301	\$392,230		\$190,000		\$2,409,890	\$330,491	(\$14,062)	\$28,328	\$14,266
1984	\$203,150	\$24,467	\$116,700	\$650,284	\$116,700		\$212,275		\$2,314,315	\$361,279	(\$12,750)	\$27,209	\$14,459
1985	(c) \$331,387	\$11,187	\$138,990	\$831,495	\$138,990		\$222,010		\$2,231,295	\$380,089	(\$11,809)	\$24,146	\$12,337
1986	\$219,034	\$49,892	\$124,585	\$876,052	\$124,585		\$245,805		\$2,110,075	\$396,768	(\$9,204)	\$20,227	\$11,023
1987	\$230,950	\$7,575	\$164,645	\$934,782	\$164,645		\$244,305		\$2,030,415	\$394,568	(\$5,104)	\$16,441	\$11,337
1988	\$254,228	\$13,601	\$304,860	\$870,549	\$304,860		\$244,455		\$2,090,820	\$389,993	(\$4,649)	\$13,635	\$8,986
1989	\$294,997	\$3,545	\$160,000	\$1,002,000	\$160,000		\$245,460		\$2,005,360	\$393,388	(\$4,240)	\$10,293	\$6,053
1990	(c) \$328,219	\$103,063	\$234,227	\$992,930	\$234,227		\$252,681		\$1,986,960	\$395,118	(\$4,260)	\$8,317	\$4,057
1991	\$329,200	\$2,570	\$296,787	\$1,022,773	\$296,787		\$245,256		\$2,038,437	\$388,400	(\$1,349)	\$6,547	\$5,198
1992	\$349,979	\$1,000	\$340,000	\$1,031,752	\$340,000		\$200,238		\$2,178,199	\$345,897	(\$1,353)	\$5,648	\$4,295
1993	\$369,995	\$2,320	\$260,410	\$1,139,018	\$260,410	\$147,740	\$176,479	\$130,475	\$2,279,395	\$322,251	(\$1,358)	\$3,156	\$1,798
1994	\$379,889	\$1,417	\$380,365	\$1,137,125	\$380,365	\$207,390	\$183,106	\$180,040	\$2,504,004	\$323,618	(\$654)	\$2,146	\$1,492
1995	\$389,960	\$1,111	\$335,000	\$1,190,958	\$335,000		\$219,936		\$2,619,069	\$373,485	(\$653)	\$1,357	\$704
1996	\$412,088	\$12,425	\$470,000	\$1,119,919	\$470,000		\$229,134		\$2,859,935	\$382,125	(\$652)	\$1,360	\$708
1997	\$416,133	\$2,114	\$410,000	\$1,124,656	\$410,000		\$244,541		\$3,025,394	\$401,799	(\$647)	\$347	(\$300)
1998	\$442,999	\$15,142	\$500,000	\$1,052,513	\$500,000		\$254,869		\$3,270,525	\$417,900	(\$642)	\$64	(\$578)
1999	\$448,745	\$5,764	\$475,000	\$1,020,898	\$475,000		\$245,297		\$3,500,238	\$417,646	(\$124)	\$0	(\$124)
2000	\$471,786	\$3,659	\$125,000	\$1,363,620	\$125,000		\$276,362		\$3,348,872	\$459,156	\$0	\$0	\$0
2001	\$513,250	\$3,612	\$400,000	\$1,473,258	\$400,000		\$297,966		\$3,450,900	\$470,868	\$0	\$0	\$0
2002	\$731,058	\$12,614	\$418,098	\$1,773,604	\$418,098	\$109,935	\$322,320	\$112,435	\$3,544,178	\$495,217	\$0	\$0	\$0
2003	\$756,513	\$11,634	\$725,000	\$1,793,483	\$725,000	\$376,950	\$326,695	\$386,940	\$3,932,493	\$496,870	\$0	\$0	\$0
2004	\$663,663	\$10,692	\$500,000	\$1,946,454	\$500,000		\$330,215		\$4,102,278	\$536,819	\$0	\$0	\$0
2005	\$679,807	\$6,730	\$784,043	\$1,835,488	\$784,043	\$855,840	\$348,180	\$882,155	\$4,511,826	\$553,783	\$0	\$0	\$0
2006	\$690,000	\$1,004	\$750,000	\$1,774,484	\$750,000		\$393,355		\$4,868,471	\$625,208	\$0	\$0	\$0
2007	\$821,126	\$4,645	\$679,378	\$1,911,587	\$679,378		\$405,695		\$5,142,154	\$654,055	\$0	\$0	\$0
2008	\$935,000	\$2,749	\$779,986	\$2,063,852	\$779,986		\$428,310		\$5,493,830	\$692,539	\$0	\$0	\$0
2009	(d) \$1,112,000	\$1,939	\$845,563	\$2,328,350	\$845,563	\$65,800	\$464,725	\$66,825	\$5,873,643	\$744,799	\$0	\$0	\$0
2010	(e) \$1,214,543	\$7,026	\$1,140,883	\$2,394,984	\$1,140,883	\$798,080	\$482,754	\$806,630	\$6,523,222	\$777,523	\$0	\$0	\$0
2011	(f) \$940,902	\$4,127	\$974,718	\$2,357,041	\$974,718		\$515,094		\$6,982,846	\$834,833	\$0	\$0	\$0

(a) Authorizations for a fiscal year represent those authorizations effective for that fiscal year; therefore, authorizations for FY 1988 exclude \$15 million for the Salisbury Multi-Service Center which authorization is effective 7/1/88.

(b) Adjustment to debt service: "repayable" represents debt service on loans the repayment of which is received by the State, from non-State entities, concurrently with, or prior to, debt service payment dates. "Assumed" debt represents payments made by the State for debt service on non-State debt.

(c) Includes \$100 million authorized in the Special Session of 1985 for the savings and loan crisis; no bonds were issued and the authorization was cancelled in 1990.

(d) \$1,110 million for G.O bonds and \$2.0 million for Local Government Infrastructure program

(e) \$1,140 million for 2010 MCCBL, \$70 million 2009 Program Open Space and \$4.543 million for QZAB authorization

(f) \$925 million for 2011 MCCBL, \$15.902 million for QZAB authorization



# Amount Outstanding and Amount Authorized but Unissued as of June 30, 2011

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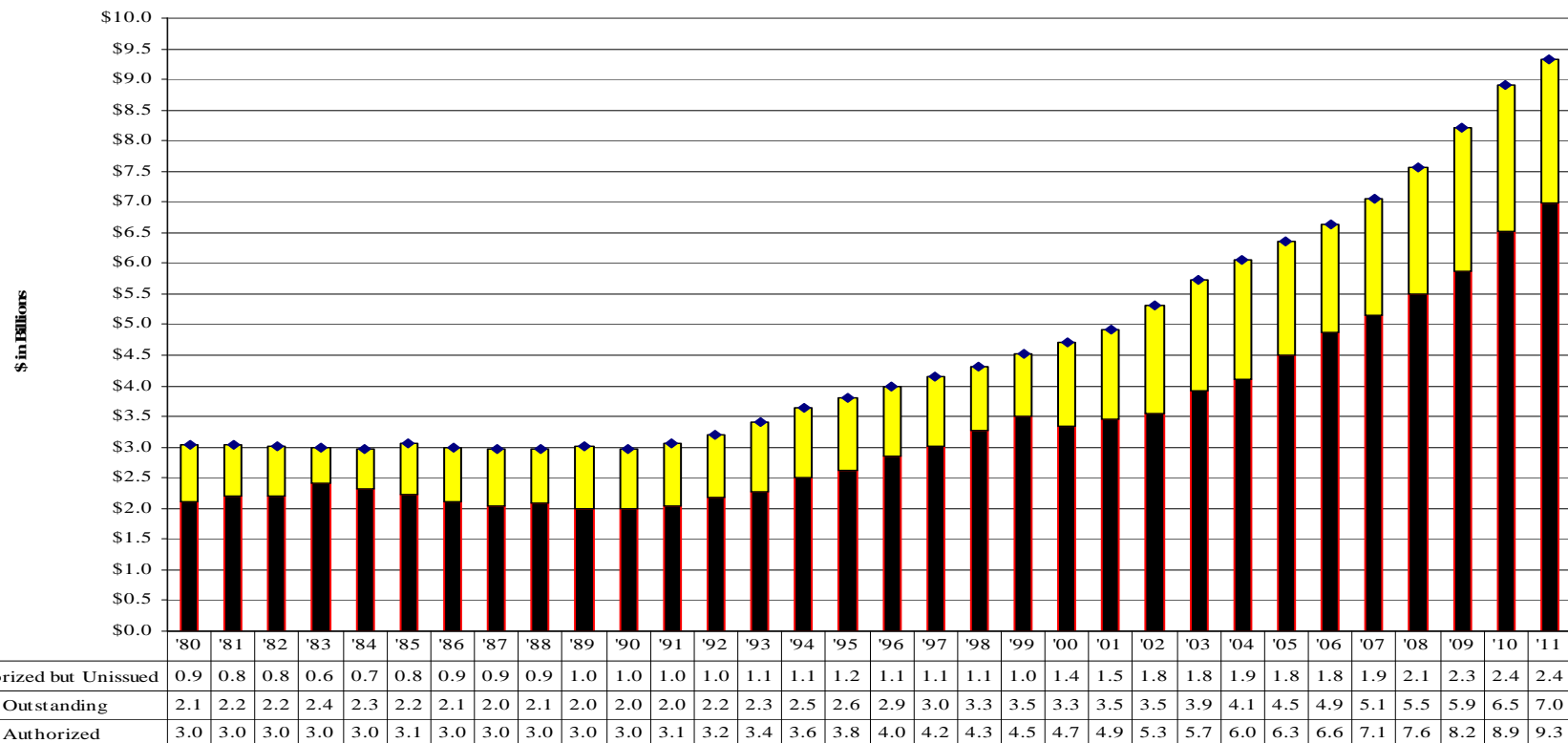
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- The total General Obligation Debt Outstanding as of June 30, 2011 is \$6.98 billion.
- The total amount of debt authorized but unissued as of June 30, 2011 is \$2.36 billion.
- The following slide illustrates the trends in the amounts of GO debt outstanding and the amounts that have been authorized but unissued since 1980.



# General Obligation Bonds Authorized and Outstanding as of June 30, 2011

**Graph 1**  
**History of General Obligation Debt Outstanding and Unissued Authorizations**



(Totals may not add due to rounding)



# Projected Future Issuances Fiscal Years 2012 - 2016

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- In the preliminary projections done for CDAC in August 2011, the following issuances of General Obligation Bonds were projected:
  - 2012 - \$960 million
  - 2013 - \$945 million
  - 2014 - \$940 million
  - 2015 - \$935 million
  - 2016 - \$940 million
- There are multiple authorization levels and patterns that would result in adherence to the affordability benchmarks.
- The Committee's October 1 recommendation will reflect updated revenue and personal income projections and authorization levels which adhere to the affordability benchmarks.



# Final Projected Issuance for Fiscal Year 2012

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- **First Series 2012**
  - Projected Size – \$475\* million
  - Sale date late February or early March 2012

\* preliminary, subject to change

# Debt Service Projections

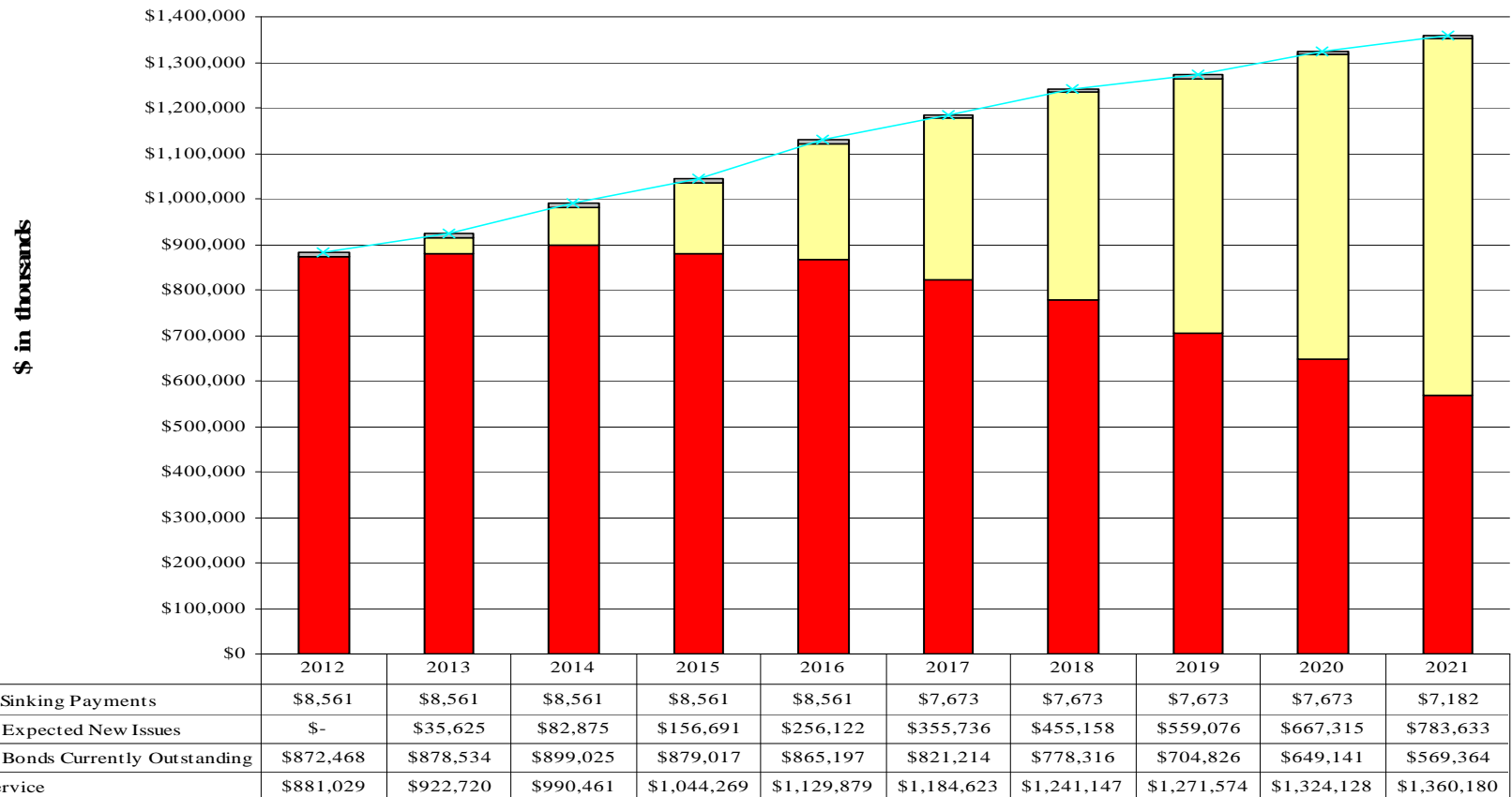
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- As of August 2011, the following slide shows the debt service by fiscal year.
- Interest Rate assumptions:
  - 5.0% for the future issuances through 2021
- All tax-exempt debt matures within 15 years. Principal payments begin in year 3.

# Projected Debt Service Fiscal Years 2012-2021

**Appendix B-4**  
**Projected General Obligation Debt Service**



Projections as of August 2011

# Interest Rates

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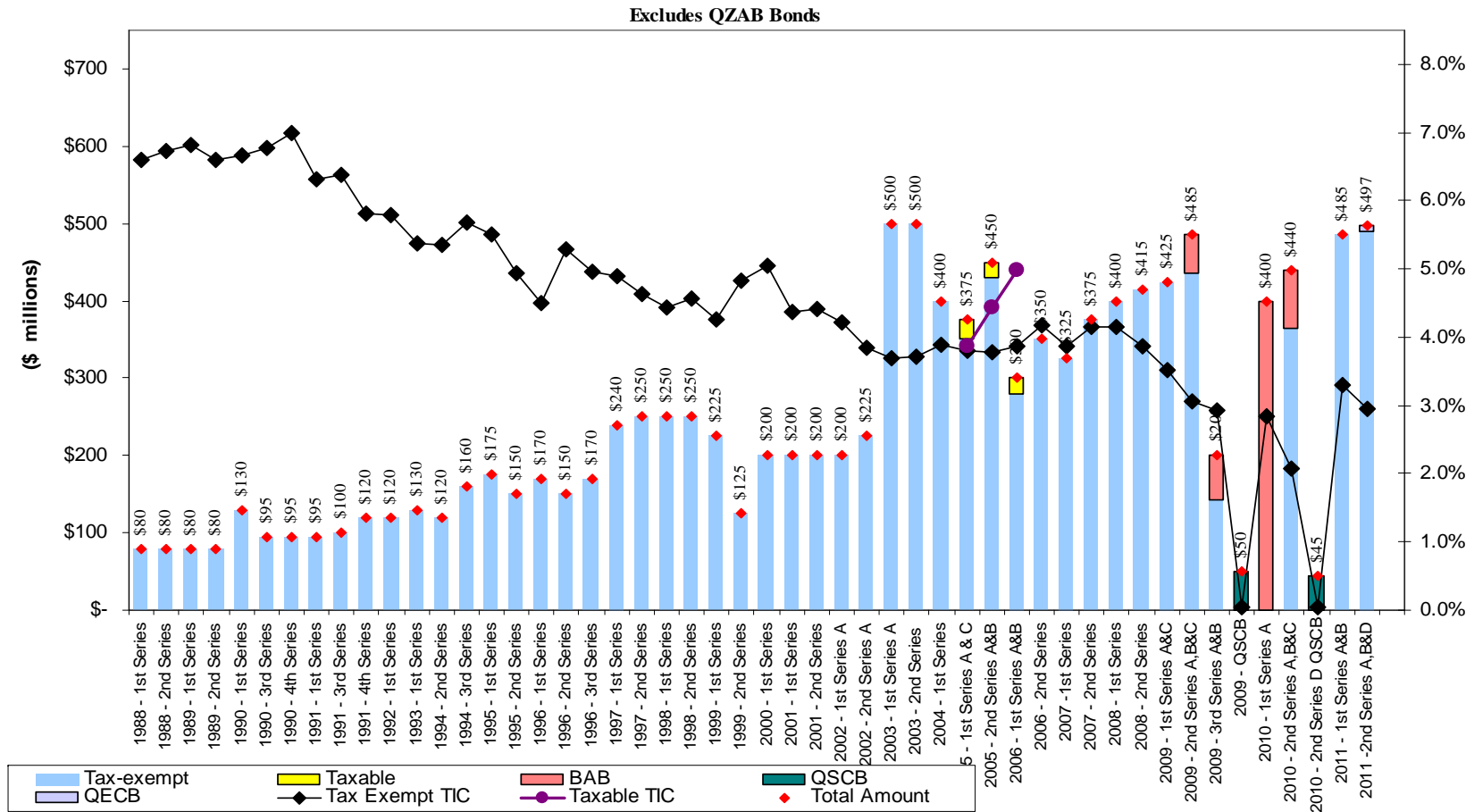
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- Interest rates (“TICS” –True Interest Cost) and total new money issuance from 1988 through 2011 Second Series are in Graph 3 in the CDAC Report.



# Interest Rates

**Graph 3**  
**New Money Issuance Amounts and True Interest Costs of General Obligation Bonds**  
Excludes QZAB Bonds



# Status of Refunding Potential

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- An analysis is done by the State's financial advisor before each bond sale to determine the financial feasibility of a refunding.
- Benchmarks are 3% net present value savings and an Opportunity Cost Index which is greater than 70%.
- Discussion continues on the timing of potential refunding, currently projected at approximately \$150 million.



# Status of Taxable Debt

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- Taxable debt was issued in 3 series in 2005 and 2006 to finance projects that could not be funded through PAYGO.
- The 2011 MCCBL includes a number of private loan and private activity projects, which may result in the issuance of taxable debt in the future.



# Use of Variable Rate Debt, Bond Insurance, Derivatives and Guaranteed Investment Contracts (GICS)

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- The State is authorized to issue variable interest rate bonds in an amount no more than 15% of the outstanding general obligation indebtedness. The State has not issued any variable rate debt as of June 30, 2011 and has not executed any derivatives.
- Because the State is a “natural” AAA credit, there has been no need for bond insurance.

# Capital Leases

An Update of  
Tax-Supported Leases  
for the  
2011 Capital Debt Affordability  
Committee



# Topics of Discussion

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- Tax-Supported Capital Equipment Leases and VLT COPS in the CDAC Analysis
- Tax-Supported Energy Leases that are included and not included in the CDAC Analysis
- Capital Equipment and Energy Lease Activity in Fiscal Year 2011
- Projections of Future Equipment and Energy Lease Financings
- Projections of Future Lottery – VLT's Financing
- Capital Lease Assumptions for the DHMH Lab



# Tax-Supported Leases and COPS in the CDAC Analysis

The following table summarizes as of June 30, 2011, the current tax-supported leases and tax-supported Conditional Purchase Financings included in the 2011 CDAC Affordability Analysis.

<i>Tax-Supported Lease and Conditional Purchase Financings Outstanding as of June 30, 2011</i>		
State Agency	Facilities Financed	Principal Amount Outstanding as of June 30, 2011
State Treasurer's Office	Capital Equipment Leases Various communications, computers and other equipment	\$41,172,697*
State Treasurer's Office	Energy Performance Projects (DGS – State Center Complex, DHMH- Rosewood, St. Mary's, and Veterans Affairs)	9,084,487*
Department of Transportation	Headquarters Office Building	24,360,000
	MAA Shuttle Buses - BWI	7,700,000
Department of General Services	Multi-service office buildings: St. Mary's County	1,385,000
	Hilton Street Facility	1,455,000
	Prince George's County Justice Center	19,908,324
Maryland Transportation Authority	State office parking facility	20,670,000
Maryland State Lottery	Ocean Downs and Perryville	40,900,000
<b>Total Tax Supported Leases and COPS</b>		<b>\$166,635,508</b>

\*Maryland Stadium Authority reports the Stadium Authority Capital leases in their debt.





# Tax-Supported Energy Leases that are not included in the CDAC Analysis

The following table summarizes as of June 30, 2011, the current tax-supported Energy leases not included in the 2011 CDAC Analysis.

<u>Energy lease project *</u>	<u>Debt Service for FY2011</u>	<u>Annual Surety Bond Amount</u>
UMS – Baltimore Campus (UMBC)	\$543,600	\$592,164
DGS – District Court & Multi – Service Centers	388,320	396,252
Maryland School for the Deaf	291,257	291,257
DHMH – Springfield Hospital	637,912	637,912
DPSCS – Hagerstown Prison	488,395	832,158
DHMH- Deer’s Head Hospital	255,946	255,946
Spring Grove Hospital	1,896,641	2,392,341
Spring Grove Hospital (Modification)	149,055	**
Department of Agriculture	194,960	243,185
DGS - Multi-Service Centers	794,357	1,818,967
University of Baltimore	649,125	701,240
UMCP	1,882,220	1,882,220
UMCES (Horn Point Lab)	159,338	214,407
State Police	241,629	584,840
Workforce Technology	169,101	204,181
DPSCS – Jessup	No DS in FY2011	1,944,776
Maryland Aviation Administration	No DS in FY2011	2,061,302
State Highway Administration	No DS in FY2011	2,234,503
Maryland Transit Administration	No DS in FY2011	646,589
Total	\$8,741,856	\$17,934,240

\* The listing does not include the Maryland Stadium Authority projects.

\*\*The Surety bond amount is included with the original Spring Grove project surety bond amount.



# Tax-Supported Energy Leases in the CDAC Analysis

The following table summarizes as of June 30, 2011, the current tax-supported Energy leases in the 2011 CDAC Analysis.

<u>Energy lease project *</u>	<u>Debt Service for FY2011</u>	<u>Annual Surety Bond Amount</u>
DGS - State Office Complex	\$908,233	\$320,000
DHMH -Rosewood Center	383,326	\$0 - facility is closed
DHMH -Rosewood Center	156,934	\$0 - facility is closed
St. Mary's College of Maryland	205,295	Surety Bond will be cancelled in the near future to save bond costs.
Veterans Affairs	56,638	Savings less than guarantee.
Total	\$1,710,426	\$320,000

\* The listing does not include the Maryland Stadium Authority projects.



# Capital Equipment and Energy Lease Activity in Fiscal Year 2011

## Equipment

- Provides financing of capital equipment to state agencies.
- Capital Equipment lease contracts financed \$5.5 million during Fiscal year 2011.

### Summary of the Lease Terms for Equipment Financed in Fiscal Year 2011

3 yr leases	\$4,885,684
5 yr leases	<u>659,021</u>
Total	<u>\$5,544,705</u>

## Energy

- Provides financing for energy conservation projects at the Department of Public Safety and Correctional Services – Jessup, Maryland Aviation Administration, State Highway Administration and the Maryland Transit Administration.
- Lease payments are made from the participating agencies’ annual utility appropriations using savings achieved through the implementation of energy performance contracts.
- Energy lease financing totaling \$56.99 million closed in Fiscal Year 2011.
- All of the Energy projects financed in Fiscal Year 2011 have guarantees and actual projected energy savings greater than annual debt service.

### Summary of the Lease Terms for Energy Financed in Fiscal Year 2011

11.5 yr leases	\$13,920,000
13.5 yr leases	17,482,890
14.0 yr leases	<u>25,587,813</u>
Total	<u>\$56,990,702</u>



# Projections of Future Equipment and Energy Lease Financings in the CDAC Analysis

<u>Types of Financing</u>	<u>Period*</u>	<u>CDAC projections as of August *</u>
Equipment Leases (1)	Fiscal Years 2012 – 2021	\$10 million per year through FY 2021
Energy Leases	(2)	\$0

- (1) Based on agency survey received April, 2011 and discussion with DBM.
- (2) DGS estimates that approximately \$88 million of energy projects will be financed in FY 2012 -2013. 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.

\* Preliminary, subject to change.



# Projections of Future Lottery – VLT’s financing

- The 2011 A COPS issue for \$45 million closed in January 2011 to finance VLT’s for Penn National and Ocean Downs.
- The following VLT Financings will be incorporated in 2011 CDAC Affordability Analysis.

<b><u>Location</u></b>	<b><u>Amount of Financing**</u></b>	<b><u>Closing Date*</u></b>	<b><u>Estimated First Lease Payment Date*</u></b>
Arundel Mills	\$85.0	Sept. 2012	March 2013

\*\* The 2011 assumptions used for Arundel Mills were: 4,750 machines total machines and 81% purchased, \$22,000 purchase price, for a total of \$85 million. In 2010 we assumed a financing of \$134,300,000.

- **Not included are financings for VLT’s at Baltimore City and Rocky Gap.**

The Video Lottery Facility Location Commission is rebidding the licenses for these facilities. Because of uncertainty regarding the opening of Baltimore City and Rocky Gap, they were not included in the 2011 CDAC Affordability Projections.

\* Preliminary, subject to change.



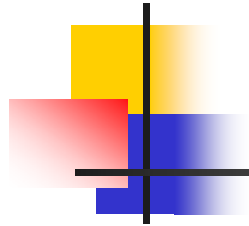
# Capital Lease Assumptions for the DHMH Lab

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- Bonds are scheduled to close in October 2011
- Par amount of bonds is currently projected at \$184,805,000
- Interest is Capitalized during construction
- First debt service payment is currently projected on 6/1/2014
- Projections will be updated prior to final 2011 affordability ratios.

# Consolidated Transportation Bonds



# Maryland Department of Transportation

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Presented by  
David L. Fleming  
Director, Office of Finance

August 12, 2011





# Maryland Department of Transportation Consolidated Transportation Bonds

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- Structure:
  - Fixed rate
  - Interest only first 2 years
  - As required by statute
    - Maximum maturity of 15 years
    - Level debt service payments
  
- Additional Bonds Test:
  - Pledged taxes at least 2.0x maximum annual debt service
  - Net revenue at least 2.0x maximum annual debt service



# Maryland Department of Transportation Consolidated Transportation Bonds

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## Management Policy:

- Pledged Taxes at least 2.5x maximum annual Debt Service
- Net Revenue at least 2.5x maximum annual Debt Service

## Fiscal Year 2010 Actual:

- Pledged taxes coverage 5.9x
- Net revenue coverage 2.6x

## Fiscal Year 2011 Estimated : (based on April 2011 fiscal year end estimate)

- Pledged taxes coverage 5.9x
- Net revenue coverage 2.6x



# Maryland Department of Transportation Consolidated Transportation Bonds

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- Amount issued in prior 5 fiscal years:
  - \$857 million new construction
  - No refundings
  
- Amount outstanding:
  - FY11 - \$1.562 billion
  - Legislative debt ceiling \$2.6 billion
  
- Amount authorized but unissued:
  - FY11 - \$1,792 million authorized
  - FY11 - \$230 million unissued



# Maryland Department of Transportation Consolidated Transportation Bonds

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- Status of refunding potential
  - Analysis is periodically completed by the department's financial advisor
  - \$172 million of Series 2004 is a potential refunding candidate  
Tentative sale date is September 28<sup>th</sup>
  
- Variable rate debt, swaps and bond insurance
  - none

# Maryland Department of Transportation Consolidated Transportation Bonds

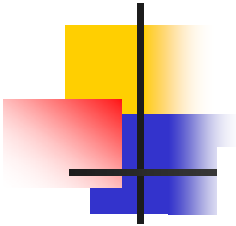
Current projections for new issuances

(\$ in millions)

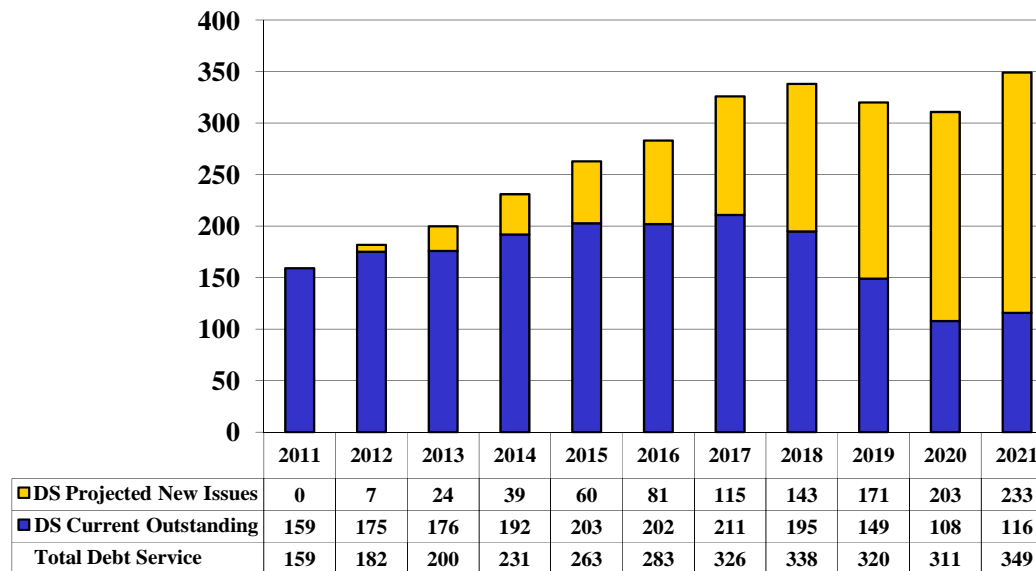
Fiscal Year	Debt Outstanding at Beginning of Year	New Issues	Redeemed	Debt Outstanding at End of Year
2012E	\$1,562	\$370	\$103	\$1,829
2013E	\$1,829	\$330	\$109	\$2,050
2014E	\$2,050	\$315	\$131	\$2,234
2015E	\$2,234	\$270	\$155	\$2,349
2016E	\$2,349	\$305	\$168	\$2,487
2017E	\$2,487	\$225	\$205	\$2,507
2018E	\$2,507	\$225	\$215	\$2,516
2019E	\$2,516	\$240	\$195	\$2,561
2020E	\$2,561	\$220	\$183	\$2,598
2021E	\$2,598	\$220	\$221	\$2,597

(E = based on April 2011 Estimate)

# Maryland Department of Transportation Consolidated Transportation Bonds



Debt service projections for the next 10 years





# Maryland Department of Transportation Consolidated Transportation Bonds

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- Rating Agency Updates: as of November 2010
  - Standard & Poor's – AAA
  - Moody's – Aa1
  - Fitch – AA+

# GARVEE Bonds





## MARYLAND TRANSPORTATION AUTHORITY Grant Anticipation Revenue Vehicles “GARVEE” Bonds

### Purpose

Grant Anticipation Revenue Vehicles (“GARVEE”) Bonds are being used as part of the funding plan for the Intercounty Connector (“ICC”) project, in addition to Maryland Transportation Authority (MDTA) funds, revenue bonds and a federal loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program, Maryland Transportation Trust Funds, State General Funds, State General Obligation Bonds, and other sources. The use of GARVEEs for the ICC is intended to allow the project to be completed sooner than otherwise would be possible and with less reliance on the State’s available funds in the short term.

### Limitations

The Statute limits the total amount that can be issued for GARVEEs at \$750 million, with a maximum maturity of 12 years. Under State law, the proceeds can only be used for the ICC. Legislation enacted by the 2005 General Assembly specified that GARVEE bonds should be considered tax-supported debt in the Capital Debt Affordability analysis.

### Security

GARVEEs are bonds for which debt service is paid using a portion of federal transportation funds received by the State. In addition, there is a subordinate pledge of certain Maryland State Transportation Trust Fund (TTF) tax sources. There are also debt service reserve funds.

### Current Status

**GARVEE bonds issued:** \$750,000,000

**Debt Outstanding as of June 30, 2011:** \$596,915,000

**Ratings:** Standard & Poor’s AAA

Moody’s Investor’s Service Aa1

Fitch Ratings AA

**Annual Debt Service Payments:** Approximately \$87.5 million per year for FY 2012-2019 and \$51.4 million for FY 2020

**Final Maturity:** March 1, 2020

**Pledged Revenue:** \$440.4 million per year in federal aid

### Issuances

In May 2007, the Maryland Transportation Authority sold \$325 million of GARVEE bonds at a true interest cost of 3.99%. In December 2008, the Authority sold the remaining \$425 million of GARVEE bonds at a true interest cost of 4.31%. No further GARVEE bond sales are planned. Future refunding opportunities are not likely.

### Use of Variable Rate debt, Bond Insurance, Derivatives and Guaranteed Investment

#### Contracts

The GARVEE bonds are fixed rate bonds, and were issued without bond insurance due to the TTF back up pledge and the availability of debt service reserve funds. The Authority has not used derivatives or guaranteed investment contracts.



Maryland  
Transportation  
Authority

## MARYLAND TRANSPORTATION AUTHORITY

FY	GARVEE Bonds Annual Debt Service		
	2007 Series	2008 Series	Total
2007	-	-	-
2008	\$ 36,090,798	-	\$ 36,090,798
2009	36,091,044	4,272,911	40,363,954
2010	36,091,231	51,366,888	87,458,119
2011	36,090,231	51,365,088	87,455,319
2012	36,090,763	51,365,838	87,456,600
2013	36,089,325	51,362,088	87,451,413
2014	36,090,825	51,366,788	87,457,613
2015	36,091,950	51,362,038	87,453,988
2016	36,087,200	51,363,288	87,450,488
2017	36,089,650	51,361,963	87,451,613
2018	36,091,400	51,365,275	87,456,675
2019	36,089,400	51,362,150	87,451,550
2020	-	51,364,838	51,364,838

FY	Total Debt Outstanding
2007	\$ 325,000,000
2008	300,655,000
2009	704,365,000
2010	651,795,000
2011	596,915,000
2012	539,355,000
2013	479,035,000
2014	415,775,000
2015	349,440,000
2016	279,780,000
2017	206,590,000
2018	129,680,000
2019	48,865,000
2020	-

# Maryland Stadium Authority



# Maryland Stadium Authority Briefing

Capital Debt Affordability Committee

August 12, 2011

# Maryland Stadium Authority

- Debt Issued over the past five years

Fiscal Year	Amount	Purpose
2007	\$105,100,000	To refund and reissue the fixed rate debt for the Baltimore Convention Center and the Football Stadium bonds to variable rate debt in accordance with a forward interest rate swap agreement
2008	\$0	
2009	\$0	
2010	\$10,000,000	Revenue Bond for Oriole Park Improvements
2011	\$6,630,000	Refunding of the Ocean City Bonds

# Maryland Stadium Authority

- Amount of Outstanding Debt and Revenues

Fiscal Year	Amount Outstanding	Tax Supported Bonds and Equipment	Revenue Bond	Energy (not tax supported debt)	Debt Service for Tax Supported and Equipment	Revenues (Lottery/ Camden Yards Operating Revenue and \$2 ticket charge)
2011	\$243,995,885	\$225,743,298	\$10,000,000	\$8,252,587	\$32,463,816	\$23,651,522
2012	\$223,483,027	\$206,516,432	\$9,245,000	\$7,721,594	\$32,776,017	\$24,524,577
2013	\$201,656,249	\$186,020,128	\$8,475,000	\$7,161,120	\$32,778,987	\$24,158,770
2014	\$170,782,082	\$164,212,602	\$0	\$6,569,479	\$32,861,078	\$24,224,579
2015	\$148,311,865	\$142,366,979	\$0	\$5,944,886	\$31,630,991	\$23,004,964
2016	\$129,446,738	\$124,161,284	\$0	\$5,285,453	\$26,672,460	\$23,078,922
2017	\$110,762,623	\$106,173,444	\$0	\$4,589,179	\$25,402,022	\$23,210,103
2018	\$90,785,220	\$86,931,273	\$0	\$3,853,947	\$25,442,166	\$23,235,077
2019	\$69,864,063	\$66,786,547	\$0	\$3,077,515	\$25,099,346	\$22,881,579
2020	\$47,482,509	\$45,225,000	\$0	\$2,257,509	\$25,117,045	\$22,884,793
2021	\$38,231,416	\$36,840,000	\$0	\$1,391,416	\$10,952,318	\$8,697,606

# Maryland Stadium Authority

- Fixed Rate Debt Ratings

<b>Series</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>
2002	AA+	Aa2	AA
2002	AA+	Aa2	AA
2003	AA+	Aa2	AA
2004	AA+	Aa2	AA

# Maryland Stadium Authority

Summary of Swaps and Variable Rate Demand Bonds (as of 7/10/2011)				
Series Name	Sports Facilities Lease Revenue Refunding Bonds Football Stadium Issue Series 2007	Baltimore Convention Center Lease Revenue Refunding Bonds Series 2006	Sports Facilities Lease Revenue Refunding Bonds Series 1999 (AMT)	Taxable Sports Facilities Lease Revenue Refunding Bonds Series 1998A
<b>Tax Status</b>	Tax-Exempt	Tax-Exempt	AMT	Taxable
<b>Dated Date</b>	2/8/2007	12/14/2006	12/9/1999	12/15/1998
<b>Original Issue Par</b>	73,500,000	31,600,000	121,380,000	16,300,000
<b>Current Outstanding</b>	63,590,000	17,585,000	76,805,000	12,005,000
<b>Maturity</b>	3/1/2008-2026	12/15/2007-2014	12/15/2000-2019	12/15/2005-2019
<b>Remarketing Agent</b>	GOLDMAN SACHS & CO	GOLDMAN SACHS & CO	J.P. MORGAN	J.P. MORGAN
<b>Current Remarketing Fee</b>	5 Basis Points	5 Basis Points	5 Basis Points	5 Basis Points
<b>Liquidity/LOC Provider</b>	SBPA: DEXIA	SBPA: THE BANK OF NEW YORK	LOC: DEXIA	LOC: DEXIA
<b>LOC Expiration</b>	2/8/2012	12/14/2011	6/12/2012	6/12/2012
<b>Current LOC Fee</b>	8.25 Basis Points	10 Basis Points	8.25 Basis Points	8.25 Basis Points
<b>Current Reset Frequency</b>	7-day	7-day	7-day	7-day
<b>Date of Last Reset</b>	7/7/2011	7/7/2011	7/6/2011	7/6/2011
<b>Reset Rate</b>	3.000%	0.060%	3.250%	3.250%
<b>Hedges</b>	Synthetic Fixed Rate (MSA pays Fixed Amounts = 5.69%-5.8%, Receives SIFMA)	Synthetic Fixed Rate (MSA pays fixed amounts = 5.625% to 5.875%, Receives SIFMA)	Synthetic Fixed Rate (MSA pays Fixed Rates ~7.505%, Receives Bond Rate)	Synthetic Fixed Rate (MSA pays 7.510%, Receives 1 Month LIBOR)
<b>Counterparty</b>	BARCLAYS	BARCLAYS	AIG FINANCIAL PRODUCTS CORP.	AIG FINANCIAL PRODUCTS CORP.



# Maryland Stadium Authority

- Variable Rate Debt Ratings

<b>Series</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>
1998A Short Term	A-1+c	VMIG 1	F1+
1998A Long Term	AA-	Aa2	AA
1999 Short Term	A-1+c	VMIG 1	F1+
1999 Long Term	AA-	Aa2	AA
2006 Short Term	A-1+	VMIG 1	F1+
2006 Long Term	AA+	Aa2	AA
2007 Short Term	A-1+	VMIG 1	F1+
2007 Long Term	AA+	Aa2	AA



# Maryland Stadium Authority

- Interest Rate Swaps Status
  - Downgrade in AIG, swap counter party
  - Dexia Credit Local, liquidity Provider, is experiencing financial issues
  - Nearly \$100 million tendered but remarketed successfully after several weeks as bank bonds
  - Issued RFP to replace Dexia, currently paying 8.25 basis points or \$185,000 annually, bids received are 55 basis points taking the annual fee to \$850,000
  - Find replacement swap counterparty
  - Working with Public Financial Management to unwind the 1998A and 1999 swap

# Maryland Stadium Authority

- Refunding Opportunities
  - Reviewing the refunding of Series 2002 “Hippodrome” with an outstanding amount of \$15.4 million
    - Extend maturity by five years to reduce debt service and continue receiving \$2 ticket surcharge
    - Working with PFM to determine the savings

# Maryland Stadium Authority

- Current projections for new issuances
  - FY 2012
    - Issue \$11.1 million for Camden Yards renovations projects
      - To be issued as a revenue bond with the pledge of lottery proceeds
      - Taxable bond, matures in December 2022
      - Issue \$11.1 million August 2011
    - Potential Issue of \$105 million to unwind the 1998A and 1999 swaps
      - Includes swap termination fee of approximately \$23 million
      - Potential extension of the maturity
      - Fixed rate debt
      - Tax-supported debt
      - Issue in the fall of 2011
      - Removes the risk of the swap counterparty and liquidity provider
  - FY 2013
    - Issue \$15.4 million in Hippodrome Refunding Bonds
      - Extend maturity to continue the \$2 ticket surcharge
      - Lower debt service
      - Current projections for new equipment lease
    - Issue \$11.1 million in Camden Yards Revenue Bonds
      - To be issued as a revenue bond with the pledge of lottery proceeds
      - Taxable bond, matures in December 2022
      - To continue renovations projects at Camden Yards

# Bay Restoration Bonds



## **Department of the Environment**

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# Bay Restoration Fund (BRF) Capital Debt Affordability Committee Briefing August 12, 2011

Jag Khuman, Director  
Maryland Water Quality Financing Administration  
1800 Washington Boulevard  
Baltimore, MD 21230  
410-537-3119  
[www.mde.state.md.us/wqfa](http://www.mde.state.md.us/wqfa)





## Bay Restoration Fund Debt Issued Past Five Fiscal Years

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FY	Amount (\$ Million)	Purpose
2007	-	
2008	50.00	Provide grants for the Enhanced
2009	-	Nutrient Removal (ENR)
2010	-	upgrades at the major Waste
2011	-	Water Treatment Plants





# Bay Restoration Fund

## Current Outstanding Debt and Annual Debt Service

<u>Fiscal</u> <u>Year (FY)</u>	<u>Debt Outstanding</u> <u>End of FY (\$ Million)</u>	<u>Annual FY</u> <u>Debt Service (\$ Million)</u>
2008	50.00	0.00
2009	46.83	4.65
2010	44.19	4.71
2011	41.56	4.62
2012	38.82	4.61
2013	36.00	4.62
2014	33.06	4.61
2015	29.98	4.62
2016	26.78	4.61
2017	23.46	4.58
2018	20.02	4.54
2019	16.45	4.50
2020	12.63	4.61
2021	8.62	4.62
2023	0.00	4.61







## Bay Restoration Fund

### Total Debt Authorized and Amount Unissued

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Debt Authorized through FY 2012:	\$530,000,000
Debt Issued through FY 2011:	\$ 50,000,000
Future Debt Issuance:	\$480,000,000





# Bay Restoration Fund

## Projected New Debt Issuance & Annual Debt Service

<u>Fiscal Year</u>	<u>New Issues (\$ Million)</u>	<u>Outstanding Debt 6/30/Yr (\$ Million)</u>	<u>Annual Debt Service (\$ Million)</u>
2008	50.00 (A)	50.00	0.00
2009	0.00	46.83	4.66
2010	0.00	44.19	4.71
2011	0.00	41.56	4.62
2012	50.00 (P)	88.82	4.61
2013	170.00 (P)	253.76	9.60
2014	160.00 (P)	400.88	26.53
2015	100.00 (P)	480.18	42.47
2016	0.00	453.92	52.43
2017	0.00	426.28	52.41
2018	0.00	397.17	52.36
2019	0.00	366.53	52.32
2020	0.00	334.13	52.43
2021	0.00	299.99	52.44
2022	0.00	263.99	52.43
2023	0.00	226.04	52.43

A: Actual

P: Projected





## Bay Restoration Fund Existing Bonds/Refunding Potential

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<b>Debt Issued:</b>	<b>\$50,000,000 (Series 2008)</b>
<b>Issue Date:</b>	<b>4/29/2008</b>
<b>Rating (Moody's):</b>	<b>Aa2</b>
<b>True Interest Cost:</b>	<b>4.034%</b>
<b>Interest:</b>	<b>Fixed Rate</b>
<b>Final Bond Maturity:</b>	<b>3/1/2025</b>
<b>Security:</b>	<b>BRF (WWTP) Fee Revenue</b>
<b>Debt Service Reserve:</b>	<b>None</b>
<b>Optional Redemption:</b>	<b>After 3/1/2018</b>
<b>Refunding Potential:</b>	<b>Low Savings</b>

Sale Results of  
General Obligation Bonds  
2011 Second Series

## Sale Results of General Obligation Bonds 2011 Second Series

Details for the 2011 Second Series sale totaling \$512,400,000 follow in the table below. The overall TIC (adjusted for subsidies) for the 2011 Second Series was 2.81%.

Series	Amount	Maturities	Type	Targeted Investor	Sale Method	TICs	Present Value Savings (b)
2011 Second Series A	\$71,730,000	2014-2025	tax-exempt	retail	negotiated	1.99%	
2011 Second Series B	\$418,270,000	2014-2026	tax-exempt	institutional	competitive	3.08%	
2011 Second Series C	\$15,900,000	2026	taxable QZAB direct subsidy	institutional	competitive	0.07% (a)	\$6,041,292
2011 Second Series D	\$6,500,000	2026	taxable QECB direct subsidy	institutional	competitive	0.62% (a)	\$2,029,863

(a) TICs for the Second Series C and Second Series D are adjusted for interest subsidies from the U.S. Treasury

(b) Savings for Series C and Series D are calculated compared to tax-exempt yields at the time of issue.