Capital Debt Affordability Committee
Treasurer Dereck E. Davis, Chair

Agenda

October 14, 2021
1 PM to 3 PM

1) **Treasurer's Opening Comments**

2) **Review of Size and Condition of State Tax-Supported Debt:**

   a. **General Obligation Bonds**
      Kristen Robinson, Deputy Director of Debt Management, State Treasurer's Office
   b. **Capital Leases**
      Tanya Mekeal, Lease Administrator, State Treasurer's Office
   c. **Consolidated Transportation Bonds**
      Jaclyn Hartman, Chief Financial Officer, Maryland Department of Transportation
   d. **Maryland Stadium Authority Bonds**
      David Raith, Chief Financial Officer, Maryland Stadium Authority
   e. **Bay Restoration Bonds**
      Jeff Fretwell, Director, Maryland Water Quality Financing Administration

3) **Review of Size and Condition of Debt of Higher Education Institutions:**

   a. **Baltimore City Community College**
      Dr. Debra L. McCurdy, President: Steven Hardy, Vice President, Finance and Administration
   b. **Morgan State University**
      Sidney Evans Jr., Executive Vice President for Finance and Management
   c. **University System of Maryland**
      Ellen Herbst, Senior Vice Chancellor for Administration & Finance; Samantha Norris, Director of Financial Planning & Analysis
   d. **St. Mary's College**
      Mary Grube, Director of Budgets for the Business & Finance Division; Chris True, Assistant Vice President for Finance

The final CDAC meeting will be held on Wednesday, October 19 at 10 am to review and discuss the recommendation of general obligation bond authorizations.

Review of Size and Condition of State Tax-Supported Debt:
General Obligation Bonds

Capital Debt Affordability Committee:

2022 Update on

Maryland General Obligation Bonds

Presented by

Kristen Robinson, Deputy Director of Debt Management

Maryland State Treasurer's Office

October 14, 2022

Fiscal Year 2022 GO Bond Issuances

Fiscal Year 2022 General Obligation Bond Issues Totaled $1.9 Billion

Series	Dates of Sales	*($ in millions)* Tax-Exempt: New Money Competitive	Tax-Exempt: Forward Refunding Negotiated	Taxable: New Money Competitive	All-In True Interest Cost (TIC)
2021 2nd Series	8/11/21	$540.0	$237.1	$75.0	1.313%
2022 1st Series	6/8/22	$900.0		$150.0	2.915%

GO Bonds Issued in Prior Five Fiscal Years Including

$7.58 billion in General Obligation Bonds issued since July 1, 2017:

$6.80 billion in tax-exempt bonds (decrease of $140.7M from previous 5 years)

- $5.43 billion in tax-exempt new money bonds (80%)
- $1.37 billion in tax-exempt refunding bonds (20%)

$785.4 million in taxable bonds (increase of $45.3M from previous 5 years)

- $425.0 million in taxable bonds (54%)
- $355.6 million in taxable refunding bonds (45%)
- $4.8 million in taxable, direct subsidy Qualified Zone Academy Bonds (QZABs) (1%)

Outstanding GO Debt and Amounts Authorized but Unissued

General obligation debt outstanding:

- $10.6 billion was outstanding as of June 30, 2022
  - $675.1 million retired since June 30, 2022
- **$9.9 billion outstanding as of October 14, 2022**

$2.07 billion of general obligation debt was authorized but unissued as of June 30, 2022.

Bond Premium Funded Projects

The authorized but unissued amount of $2.07 billion *does not* include the $259.8 million that was authorized to be issued by bond premium.

During the 2022 Legislative Session, the fiscal year 2023 capital budget authorized $259.8 million in bond sale premium to support capital projects. The federal government has indicated the intent to continue raising interest rates, resulting in reduced premium earned with bond sales.

Example:
Market interest rate is 3% today and you just purchased a bond paying a 5% coupon with a par of $5,000. If interest rates go down by 1% from the time of your purchase, you will be able to sell the bond for a profit (or a premium). If interest rates go up by 1%, you will still be able to sell the bond for a profit, but less of one, therefor less premium earned. The bond is still paying more than the market rate (because the coupon is 5%) but not as great as when interest rates were falling or steady.

Current Projections for Future Issuances

In October 2021 the Committee made the following authorizations and issuances recommendations:

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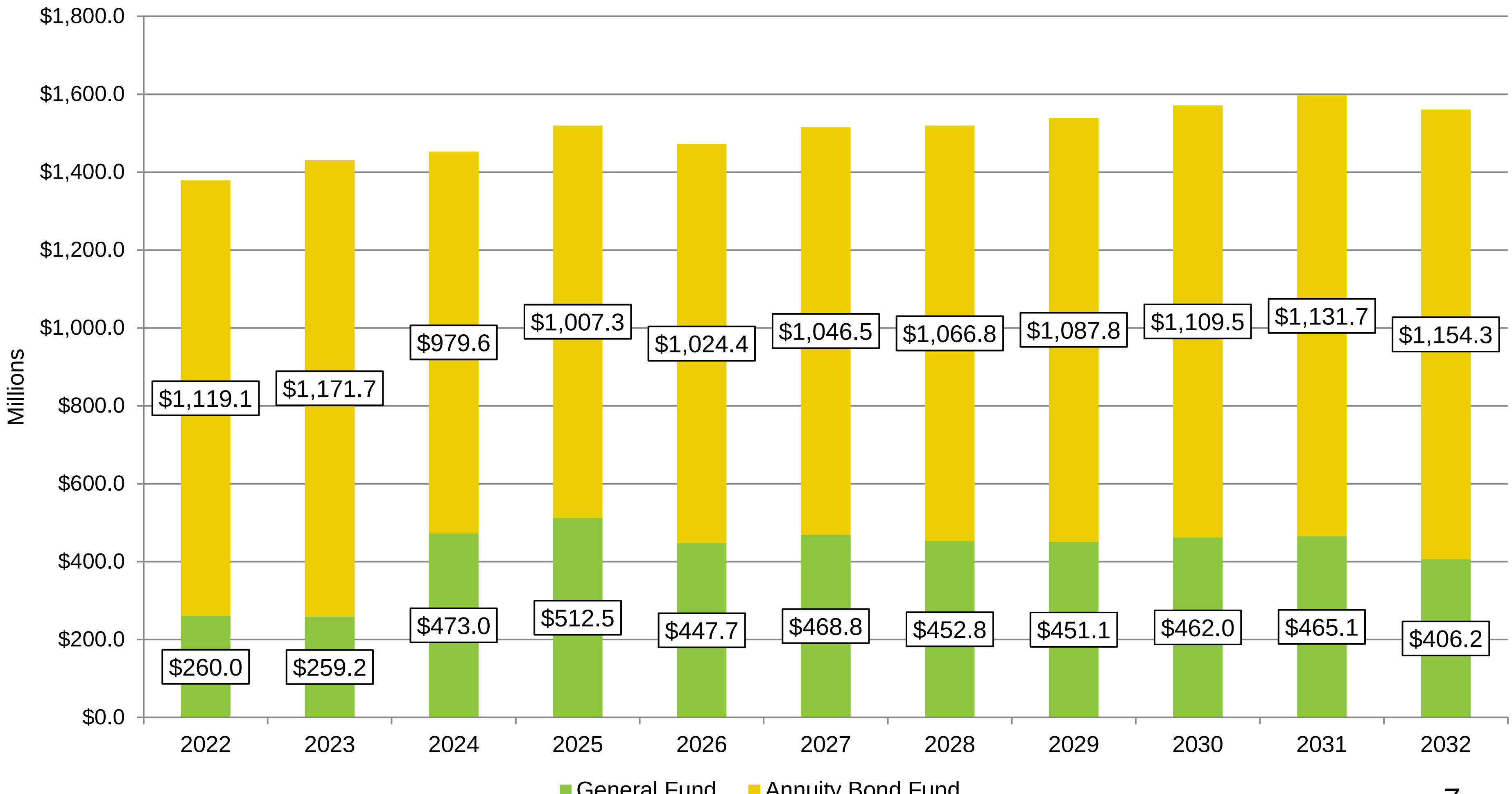
Fiscal Year	Authorizations	Issuances
2023	$900	$1,030
2024	$1,125	$1,055
2025	$1,135	$1,075
2026	$1,145	$1,095
2027	$1,155	$1,120

All $ figures in millions. Preliminary and subject to change.

Ten Year Debt Service Projections



All $ figures in millions. FYs 2023-2032 are projections which are preliminary and subject to change.

Fiscal Year 2022 Capital Budget Authorization History

In October 2021, the CDAC voted 4-1 to recommend an authorization of $900 million for fiscal year 2023.

In December 2021, the Spending Affordability Committee recommended an authorization of $900 million for FY 2023.

In January 2022, the Governor proposed a capital budget for fiscal year 2023 of $1.165 billion and this was the net final authorization amount approved during the 2022 Legislative Session.

Status of Refunding Potential

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

Current benchmarks are being reevaluated for 2023. Currently the State needs an Opportunity Cost Index (OCI) which is greater than 70%. The OCI is a measure of the refunding savings in comparison to projected savings in the future. This benchmark is difficult to attain in a rising interest rate environment and may not be in the State's best interest going forward.

The State has been aggressive in pursuing refunding savings, resulting in a debt service savings of $213.0 million over the past five fiscal years to date.

The State's financial advisor does not believe a refunding is prudent at this time. The State will reevaluate refunding potential in advance of the 2023 First Series sale.

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

The State is authorized to issue variable interest rate bonds in an amount no more than 15% of the outstanding general obligation indebtedness. As of today, the State has not issued any variable rate debt and has not executed any derivatives. The State did not enter into any new Guaranteed Investment Contracts related to the issuance of general obligation bonds in FY 2022.

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

Review of Size and Condition of State Tax-Supported Debt:

Capital Leases

Capital Lease Update for the 2022 Capital Debt Affordability Committee

October 14, 2022

Maryland STATE TREASURER
Investing for Maryland's future

Topics of Discussion

- Capital Lease Overview
- Tax-Supported Leases in the CDAC Analysis
- Tax-Supported Energy Leases that are included in the CDAC Analysis
- Capital Equipment and Energy Lease Activity in Fiscal Year 2022
- Projections of Future Tax-Supported Lease Financings
- Update on Government Accounting Standards Board (GASB) Statement No. 87, Leases (GASB-87)

Capital Lease Overview

- STO, on behalf of BPW, determines the size, timing, and method to finance capital assets for State agencies and manages the lease procurement and payment of debt service.

- **Capital Facility Leases** allow facilities to be purchased through a lease with terms ranging from 15 – 25 years. Facility leases are included in the CDAC analysis.

- **Equipment Leases** allow State agencies to finance capital equipment over a period of time. Terms are typically 3 and 5 years, although equipment may be leased for up to 15 years if the useful life of the equipment can sustain the term of the lease. These leases are included in the CDAC analysis.
  - Financed equipment is required to:
    - Have a useful life at least as long as the financing term and the cost should be a material amount;
    - Be repossessable and easily identifiable.

- **Energy Leases** are for energy performance projects at State facilities and are now limited to a 30-year term based on recent legislation. If utility savings offset the debt service costs, energy leases are not included in the CDAC analysis.

Tax-Supported Capital Leases in the CDAC Analysis

The following table summarizes the current tax-supported capital leases included in the 2021 CDAC Affordability Analysis.

FY 2022 Tax-Supported Lease Financings Outstanding			
State Agency	**Equipment and Facilities Financed**	**Principal Amount Outstanding as of 6/30/2022**	**Debt Service for FY 2022**
State Treasurer's Office on behalf of State Agencies	Capital Equipment - Various communications, computers and other equipment	$ 9,974,393	$ 4,088,843
State Treasurer's Office on behalf of State Agencies	Energy Performance Projects	$ 3,878,623	$ 2,649,735
Department of Transportation	Headquarters Office Building	$ -	$ 2,795,375
	Shuttles	$ 19,910,000	$ 2,058,650
Department of General Services	Prince George's County Justice Center	$ 10,205,433	$ 1,515,793
Transportation Authority	State Office Parking Facility	$ 13,491,000	$ 1,481,045
Department of Health	Public Health Lab	$ 102,535,000	$ 13,987,563
Total Tax-Supported Leases*		**$ 159,994,449**	**$ 28,577,003**

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

Tax-Supported Energy Leases included in the CDAC Analysis

The following table summarizes the current energy leases included in the 2022 CDAC analysis. An energy lease is included in the CDAC analysis if it lacks a surety guaranty, meaning debt service **may not** be offset by utility savings.

FY 2022 Tax-Supported Energy Lease Financings Outstanding		
State Agency	**Principal Amount Outstanding as of 6/30/2022**	**Debt Service for FY 2022**
University of Baltimore	$ 1,267,459	$ 649,125
Veteran's Affairs	135,105	56,638
Stadium Authority (Ravens)*	128,978	263,232
Stadium Authority (Oriole Park)*	347,597	716,433
MD Port Adminitration	1,999,484	964,308
Total *	**$ 3,878,623**	**$ 2,649,736**

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

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

Capital Equipment and Energy Lease Activity in Fiscal Year 2022

Equipment:

Summary of the Lease Terms for Equipment Financed Fiscal Year 2022		
3 year leases	$	4,078,545.06
5 year leases	$	765,393.50
Total	**$**	**4,843,938.56**

Energy:

No energy leases were financed during fiscal year 2022.

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

Types of Financing	Period	CDAC projections as of June 2022*
Equipment Leases (1)	Fiscal Years 2023 – 2025	$11.1 million for FY 2023 $7.2 million in FY 2024 $6.1 million in FY 2025
Energy Leases (2)	Fiscal Years 2023 – 2025	$20.0 million

(1) Fiscal Year 2023 - 2025 estimates are based on agency surveys.
(2) All of the projected Energy Lease financings include projects that will have surety bond guarantees that equal or exceed the debt service payments through out the term of the lease; therefore, these projects are not included in the CDAC Affordability Analysis.
(3) DGS estimates that up to $20.0 million in energy projects through FY 2025 based on continuing evaluation of the project sites.
* Preliminary, subject to change.

Update on Governmental Accounting Standards Board (GASB) Guidance on Lease Accounting

- The Government Accounting Standards Board issued GASB Statement No. 87, Leases (GASB-87) in June 2017. GASB-87 requires all leases to be reported as capital leases and eliminates the classification of an operating lease unless the lease is short-term.

- The General Accounting Division, as well as individual State Agencies, are in the process of reconciling this new standard as it applies to fiscal year 2022. The final accounting will not be complete until after the CDAC votes next week.

- CDAC will need to determine if and how it will respond to the new guidance.
  - Remove leases from CDAC consideration.
  - Consider all 13+ month leases as capital.
  - Maintain current practice.

- During the final voting meeting the Treasurer's Office will be presenting a sensitivity analysis to estimate how these leases might affect the CDAC ratios.

Questions?

Tanya Mekeal

Lease Administrator

Maryland State Treasurer’s Office

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Review of Size and Condition of State Tax-Supported Debt:

Consolidated Transportation Bonds

MARYLAND DEPARTMENT OF TRANSPORTATION

Consolidated Transportation Bonds

Presented by

Jaclyn Hartman

Chief Financial Officer

October 14, 2022

Structure:

- Fixed rate
- Interest only first 2 years
- 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

Management Practice:

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

Fiscal Year 2022 Estimated :

- Pledged taxes coverage 4.7x
- Net revenue coverage 3.4x

MARYLAND DEPARTMENT OF TRANSPORTATION

Amount issued in prior 5 fiscal years:

- $ 2.270 billion new construction
- $ 334.2 million refunding

Series	Sale Date	New Money ($ in millions)	Refunding ($ in millions)	True Interest Cost (TIC)
Series 2022B*	9/30/2021		$142.6	1.358%
Series 2022A*	9/30/2021		$52.4	.909%
Series 2021B	9/29/2021		$139.2	.657%
Series 2021A	9/29/2021	$295.0		1.731%
Series 2020	10/07/2020	$300.0		1.58%
Series 2019	10/02/2019	$490.0		2.08%
Series 2018 (2)	9/18/2018	$630.7		3.079%
Series 2018	5/9/2018	$130.0		2.776%
Series 2017 (2)	9/13/2017	$425.0		2.283%
Total		$2,270.7	$334.2	

* Series 2022A and 2022B bonds are forward refunding bonds. The Series 2022A bonds closed on March 3, 2022 and the Series 2022B bonds are scheduled for closing on November 3, 2022.

Amount outstanding:

- FY 2022 - $3.6 billion
- Statutory debt ceiling $4.5 billion

Amount authorized but unissued:

- FY 2022 - $3.7 billion authorized
- FY 2022 - $ 32.1 million unissued

Variable rate debt, swaps and bond insurance:

- None

Bond Insurance:

- Not needed because of MDOT's stable credit profile

FY2023 Bond Sales:

- No new money sales are planned for FY2023
- $143.6 million Series 2022B Forward Refunding Bonds were sold September 30, 2021 but are anticipated to settle on November 3, 2022 at a net present value savings of $15.2 million

MARYLAND DEPARTMENT OF TRANSPORTATION

Preliminary projections for new issuances

($ in millions)

Fiscal Year	Debt Outstanding at Beginning of Year	New Issues	Redeemed	Debt Outstanding at End of Year
2023E	$3,643	$0	$328	$3,315
2024E	$3,315	$60	$295	$3,080
2025E	$3,080	$420	$313	$3,187
2026E	$3,187	$440	$309	$3,318
2027E	$3,318	$490	$328	$3,480
2028E	$3,480	$550	$357	$3,673
2029E	$3,673	$585	$383	$3,875
2030E	$3,875	$610	$397	$4,088
2031E	$4,088	$620	$407	$4,301
2032E	$4,301	$655	$427	$4,529

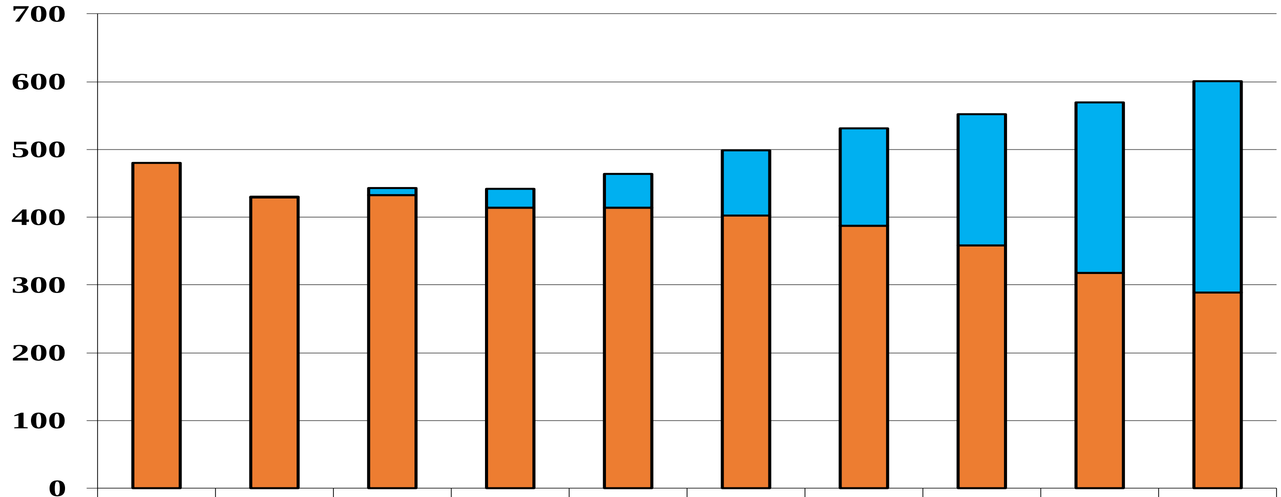
(E = based on FY23 Qtr 1 Estimates)

Numbers are based on MDOT's FY 2023-2028 Financial Plan dated September 1, 2022 and do not include the results of the forward refunding bonds closing in November 2022.

MARYLAND DEPARTMENT OF TRANSPORTATION

Debt service preliminary projections for the next 10 years

($ in millions)



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
DS Projected New Issues	0	1	11	28	50	95	143	194	252	311
DS Current Outstanding	480	429	432	413	414	403	388	358	318	289
Total Debt Service	480	430	443	441	464	498	531	552	570	600

Numbers are based on MDOT's FY 2023-2028 Financial Plan dated September 1, 2022 and do not include the results of the forward refunding bonds closing in November 2022.

MARYLAND DEPARTMENT OF TRANSPORTATION

Rating Agency Updates

- Standard & Poor's – AAA
- Moody's – Aa1
- Fitch – AA+

as of September 16, 2021

Review of Size and Condition of State Tax-Supported Debt:
Maryland Stadium Authority Bonds

Maryland Stadium Authority Briefing

Capital Debt Affordability Committee

October 14, 2022

Maryland Stadium Authority

- Debt Issued over the past five years

Fiscal Year	Amount	Purpose
2018	$426,440,000	Second series of bonds issued for Baltimore City Public Schools. Revenue bond with the pledge being lottery, Baltimore City Beverage taxes, a percentage of the casino facility rental fee, a portion of table game proceeds, and funds from the education grant from Baltimore City Public Schools.
2019	$55,000,000	Issued two series of bonds, Series 2019A was for $20.6 million of tax-exempt lease revenue bonds with the proceeds being used for various projects at M & T Bank Stadium. The second series, 2019B, was a taxable lease revenue bond with the proceeds used for various capital projects on the warehouse, parking lot controls and improvements to the walkway between the two stadiums.
2020	$20,915,000	Issued Series 2019C for the expansion of the Ocean City Convention Center. General Funds will be required for debt service.
2021	$524,295,000	Series 2020A was the third and final series for the Baltimore City Public Schools Program. Par amount was $194,035,000. Series 2020B was the "Green Bond" for Northwood Elementary school under the Baltimore City Public Schools program. Par amount was $33,995,000. Series 2020C was a federally taxable refunding of certain maturities from the Series 2016 and Series 2018A bonds for the Baltimore City Public Schools. The par amount was $296,265,000 and generated about $60 million of additional proceeds for the Baltimore City Public Schools program.

Maryland Stadium Authority

- Debt Issued over the past five years

Fiscal Year	Amount	Purpose
2022	$524,295,000	Issued the Series 2021, the first series of bonds issued for the Built to Learn Program, in October 2021. Par amount was $256,955,000.00. Issued the Series 2022A ,for the Hagerstown Multi-Use Sports and Event Facility, in March 22022. Par amount was $57,555,000.00. This series is included in the capital debt affordability calculations since a Master Lease is security pledge. Issues the Series 2022A, the second series of bonds for the Built to Learn Program, in March 2022. par amount was 373,070,000.00.

Maryland Stadium Authority

- FY 2022 Issuance
  - Built to Learn Revenue Bonds, Series 2021
    - Tax-Exempt
    - Non-Tax-Supported Debt – financing fund pledge as the security
    - Par amount - $256,955,000
    - Premium - $36,046,101
    - Cost of Issuance – $1,091,544
    - Project Funds - $285,867,555
    - Capitalized Interest - $6,042,001
    - Term – 30 years with a maturity of June 1, 2051
    - True interest cost – 2.830288%

Maryland Stadium Authority

- FY 2022 Issuance
  - Hagerstown Multi-Use Sports and Events Facility
    - Tax-Exempt
    - Tax-Supported Debt
    - Par amount - $57,555,000
    - Premium - $12,078,997
    - Cost of Issuance – $397,733
    - Project Funds - $69,236,234
    - Capitalized Interest - $0
    - Term – 30 years with a maturity of June 1, 2052
    - True interest cost – 3.390800%

Maryland Stadium Authority

- FY 2022 Issuance
  - Built to Learn Revenue Bonds, Series 2021
    - Tax-Exempt
    - Non-Tax-Supported Debt – financing fund pledge as the security
    - Par amount - $373,070,000
    - Premium - $45,310,860
    - Cost of Issuance – $1,392,714
    - Project Funds - $413,458,202
    - Capitalized Interest - $3,529,710
    - Term – 30 years with a maturity of June 1, 2052
    - True interest cost – 3.208361%

Maryland Stadium Authority

- Amount of Outstanding Debt and Revenues

Fiscal Year$0	Amount Outstanding	Tax Supported Bonds and Equipment	Revenue Bond	Energy (tax supported debt)	Debt Service for Tax Supported and Energy	Revenues (Lottery/ Camden Yards Operating Revenue and $2 ticket charge)
2015	$168,421,865	$145,021,979	$17,455,000	$5,944,886	$31,447,251	$21,851,391
2016	$466,291,738	$125,181,285	$335,825,000	$5,285,453	$26,394,035	$21,837,615
2017	$439,642,623	$105,883,444	$329,170,000	$4,589,179	$26,520,012	$21,893,973
2018	$829,883,947	$84,790,000	$741,240,000	$3,853,947	$24,413,865	$21,817,415
2019	$850,917,515	$119,760,000	$727,780,000	$3,077,515	$23,954,023	$21,359,802
2020	$833,767,509	$117,825,000	$713,685,000	$2,257,509	$23,670,006	$21,165,006
2021	$807,396,417	$107,080,000	$698,925,000	$1,391,417	$16,099,112	$15,106,978
2022	$1,978,581,576	$153,370,000	$1,824,735,000	$476,576	$17,091,915	$15,113,033
2023	$1,938,635,000	$142,020,000	$1,796,615,000	$0	$19,514,240	$19,514,240
2024	$1,893,775,000	$129,470,000	$1,764,305,000	$0	$19,033,848	$19,033,848
2025	$1,849,380,000	$117,795,000	$1,731,585,000	$0	$17,694,320	$17,694,320
2026	$1,804,855,000	$106,320,000	$1,698,535,000	$0	$16,688,652	$16,688,652
2027	$1,766,145,000	$102,155,000	$1,663,990,000	$0	$8,757,149	$8,757,149
2028	$1,725,690,000	$97,820,000	$1,627,870,000	$0	$8,759,645	$8,759,645
2029	$1,683,400,000	$93,310,000	$1,590,090,000	$0	$8,760,453	$8,760,453
2030	$1,639,185,000	$88,615,000	$1,550,570,000	$0	$8,760,199	$8,760,199
2031	$1,592,940,000	$83,725,000	$1,509,215,000	$0	$8,757,564	$8,757,564
2032	$1,544,560,000	$78,625,000	$1,465,935,000	$0	$8,763,371	$8,763,371
2033	$1,493,945,000	$73,310,000	$1,420,635,000	$0	$8,762,082	$8,762,082
2034	$1,429,965,000	$67,785,000	$1,362,180,000	$0	$8,761,811	$8,761,811
2035	$1,363,300,000	$62,055,000	$1,301,245,000	$0	$8,758,200	$8,758,200
2036	$1,306,165,000	$56,110,000	$1,250,055,000	$0	$8,756,909	$8,756,909

Maryland Stadium Authority

- Fixed Rate Debt Ratings

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

Maryland Stadium Authority

Maryland Stadium Authority Summary of Swaps and Variable Rate Demand Bonds as of June 30, 2022	
Series Name	Sports Facilities Lease Revenue Refunding Bonds Football Stadium Issue Series 2007
Tax Status	Tax-Exempt
Dated Date	2/8/2007
Original Issue Par	$73,500,000
Current Outstanding	$22,405,000
Maturity	3/1/2008 – 2026
Remarketing Agent	Goldman Sachs & Co.
Current Remarketing Rate	5 Basis Points
Liquidity/LOC Provider	SBPA: Sumitumo
LOC Expiration	3/1/2026
Current LOC Fee	45 Basis Points
Current Reset Frequency	7-Day
Date of Last Reset	10/5/2022
Reset Rate	2.44%
Hedges	Synthetic Fixed Rate (MSA paid Fixed Amounts = 5.69% - 5.8%, receives SIFMA)
Counterparty	Barclays

Maryland Stadium Authority

- Variable Rate Debt Ratings

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

Maryland Stadium Authority

- Current projections for new issuances
  - FY 2023
    - Issue fourth series of Baltimore City Public Schools Construction and Revitalization Program
      - » New money issue
      - » Five (5) series of Capital Appreciation Bonds
      - » Tax-Exempt - 33 year
      - » Payment in FY 2051, 2052, 2053, 2054, and 2055
      - » Par Value $66,050,400
      - » Closing Costs $415,737
      - » Construction Fund Deposit $65,634,663
      - » True Interest Cost – 5.0%
      - » Annual debt Service is $60.0 million
      - » July 2022
      - » Ratings: Standard and Poor's – AA-, Fitch – AA, Moody's – Aa3

Maryland Stadium Authority

- Current projections for new issuances
  - FY 2023
    - Third series of Built to Learn
      - » New money issue
      - » Tax-Exempt - 30 year
      - » Par Value $384,270,000
      - » Premium $22,010,165
      - » Closing Costs $1,260,675
      - » Construction Fund Deposit $405,019,490
      - » Coupon – 5%
      - » True Interest Cost – 4.54%
      - » Annual debt Service is $25.0 million
      - » Sale on or about June 1, 2023

Review of Size and Condition of State Tax-Supported Debt:

Bay Restoration Bonds

Bay Restoration Fund (BRF)
Capital Debt Affordability Committee Briefing
October 14, 2022

Jeffrey Fretwell, Director
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Bay Restoration Fund
Debt Issued in Prior Fiscal Years

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

Maryland
Department of the Environment

Bay Restoration Fund
Existing Bonds/Refunding Potential

	Series 2008	Series 2014	Series 2015
Debt Issued:	$50,000,000	$100,000,000	$180,000,000
Issue Date:	4/29/2008	5/14/2014	12/03/2015
Ratings:	Aa3 (Moody's)	Aa3 (Moody's) AA (S&P)	Aa3 (Moody's) AA (S&P)
True Interest Cost:	4.03%	2.55%	2.59%
Interest:	Fixed Rate	Fixed Rate	Fixed Rate
Final Bond Maturity:	3/1/2023	3/1/2029	3/1/2030
Security:	BRF (WWTP)Fee	BRF (WWTP)Fee	BRF (WWTP) Fee
Debt Service Reserve:	None	None	None
Optional Redemption After:	3/1/2018	3/1/2024	3/1/2024
Refunding Potential:	No/Low Savings based on maturity	No Savings	No Savings

Maryland
Department of
the Environment

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

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

Maryland
Department of
the Environment

Bay Restoration Fund
Total Debt Authorized and Amount Unissued

Debt Authorized through FY 2022 budget:	$590,000,000
Debt Issued through end of FY 2022:	$330,000,000
Future Authorized Debt Issuance:	$260,000,000
Projected Future Debt Issuance (FY 2025):	$100,000,000

Assumptions for future debt issuance

- Wt. Avg. Coupon Rate of 2.50% per year
- Annual Level Debt Service
- Maximum 5-Year Bond Term
- Final Debt Service Payment by FY 2030

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

Fiscal Year	New Issues	Debt Outstanding as on 6/30/Yr	Debt Service Payment for FY	Revenue (Cash)	
2008	50.000	50.000	0.000	55.068	Actual
2009	0.000	46.825	4.655	53.356	Actual
2010	0.000	44.185	4.710	54.818	Actual
2011	0.000	41.560	4.616	54.598	Actual
2012	0.000	38.820	4.614	54.552	Actual
2013	0.000	35.995	4.617	92.767	<< Fee Increase
2014	100.000	133.055	4.614	108.466	Actual
2015	0.000	129.980	8.248	111.785	Actual
2016	180.000	301.615	14.330	123.708	Actual
2017	0.000	292.880	23.431	112.678	actual
2018	0.000	273.590	31.756	113.530	actual
2019	0.000	253.375	31.717	114.201	actual
2020	0.000	232.075	31.827	107.609	actual
2021	0.000	209.715	31.829	109.311	Actual
2022	0.000	186.245	31.823	115.380	Actual
2023	0.000	161.605	31.824	116.533	Est 1% growth/year
2024	0.000	140.360	27.216	117.698	“
2025	100.000	218.055	27.214	118.875	“
2026	0.000	175.690	48.659	120.064	“
2027	0.000	131.849	48.822	121.265	“
2028	0.000	86.391	49.222	122.478	“
2029	0.000	39.248	49.574	123.703	“
2030	0.000	0.000	40.323	124.940	”
2031	0.000	0.000	0.000	63.095	<< Fee Decrease

Maryland
Department of the Environment

Review of Size and Condition of Debt of Higher Education Institutions:

Baltimore City Community College

BALTIMORE CITY
COMMUNITY COLLEGE

Capital Debt Affordability Committee

Dr. Debra L. McCurdy
President

Steven D. Hardy
Vice President – Finance & Administration
Baltimore City Community College

FRIDAY | OCTOBER 14, 2022

2901 LIBERTY HEIGHTS AVENUE | BALTIMORE, MD 21215 | 410-462-8300 | WWW.BCCC.EDU

CAPITAL DEBT AFFORDABILITY COMMITTEE

Larry Hogan, Governor
State of Maryland

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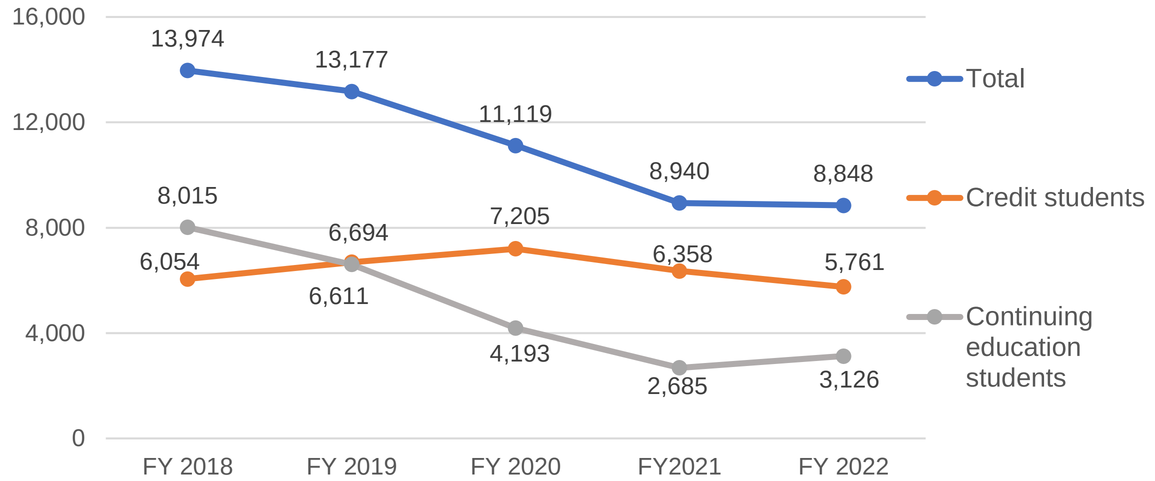
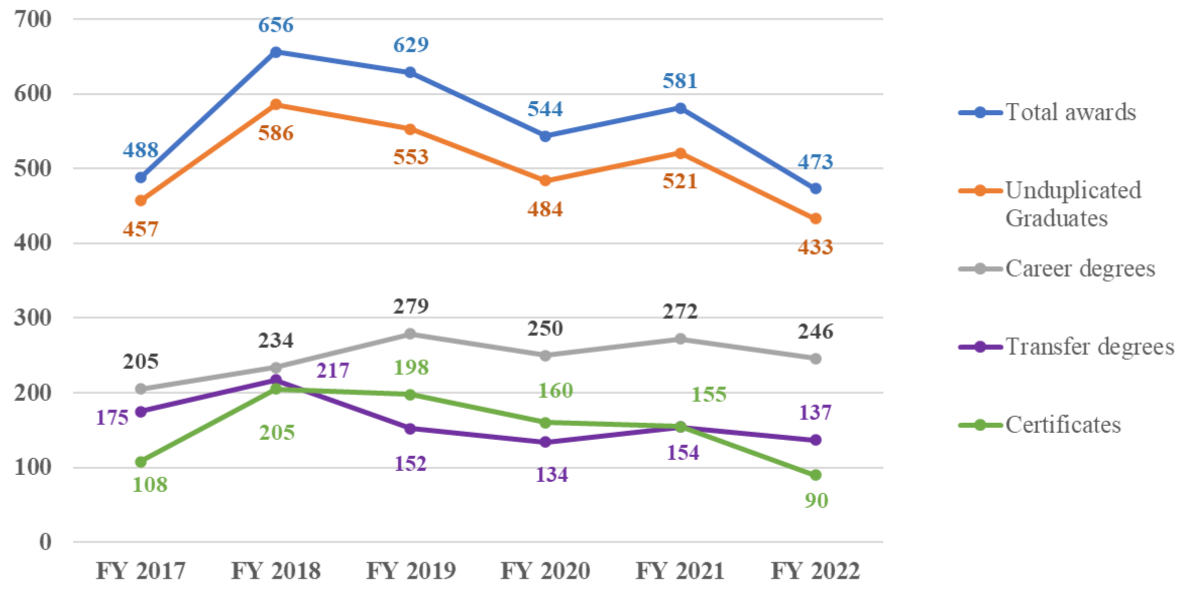
Annual Unduplicated Headcount FY 2018 – FY 2022



- Credit enrollment saw increases in FY 2019 and 2020 largely due to the Mayor's Scholars Program cohorts and increases in dual enrollment. FY 2021 saw a sharp decrease largely due to the impact of the COVID-19 pandemic; the effects of the pandemic continued in FY 2022.
- The decline in continuing education enrollment was largely due to national, State, and local factors impacting the English for Speakers of Other Languages (ESOL) population such as refugee resettlement rates' decline in FY 2020. In addition, training that was provided to organizations on site were cancelled in late FY 2020 and early FY 2021 due to the COVID-19 pandemic. With the return in-person instruction in FY 2022, continuing education has been able to return to community sites and has begun to reverse its decline.

Source: BCCC Performance Accountability Report for MHEC

Annual Degrees & Certificates Awarded FY 2018 – FY 2022



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

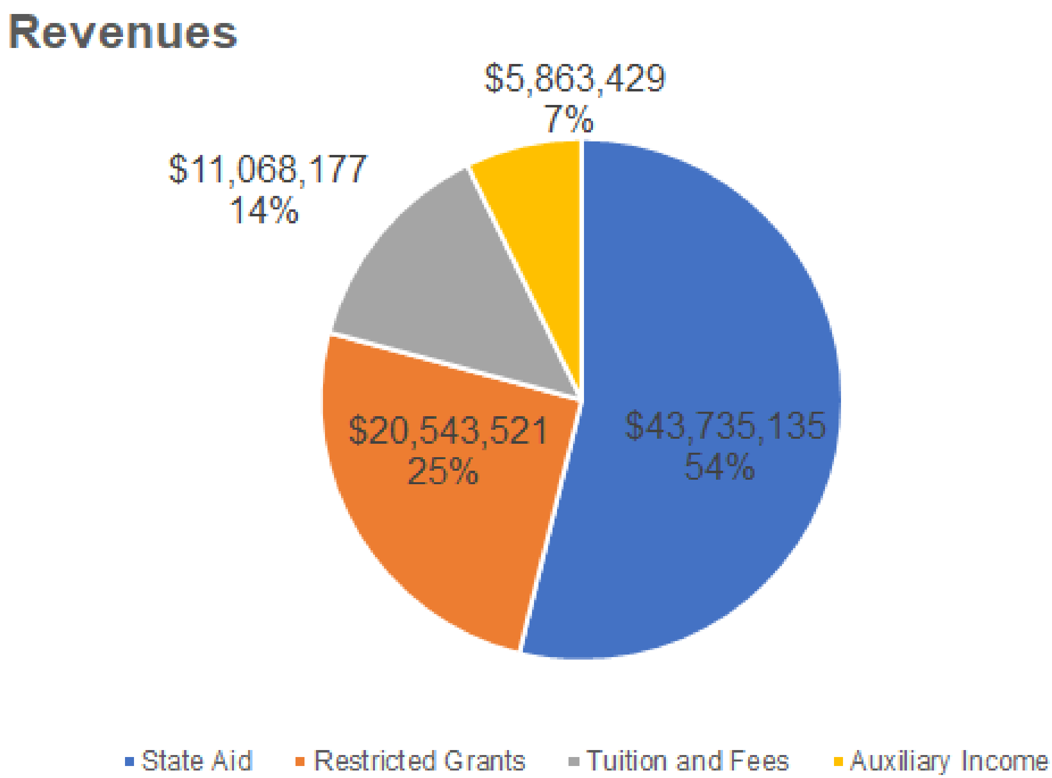
Source: BCCC Performance Accountability Report for MHEC.

FY 2024 Position & Programs

- Number of Positions (Budgeted FY 2024)
  - **Faculty = 115**
  - **Non-faculty Staff = 322**
- Number of Academic Programs
  - **Undergraduate:**
    - 30 degrees
    - 18 certificates
  - Master’s = n/a
  - Doctorate = n/a

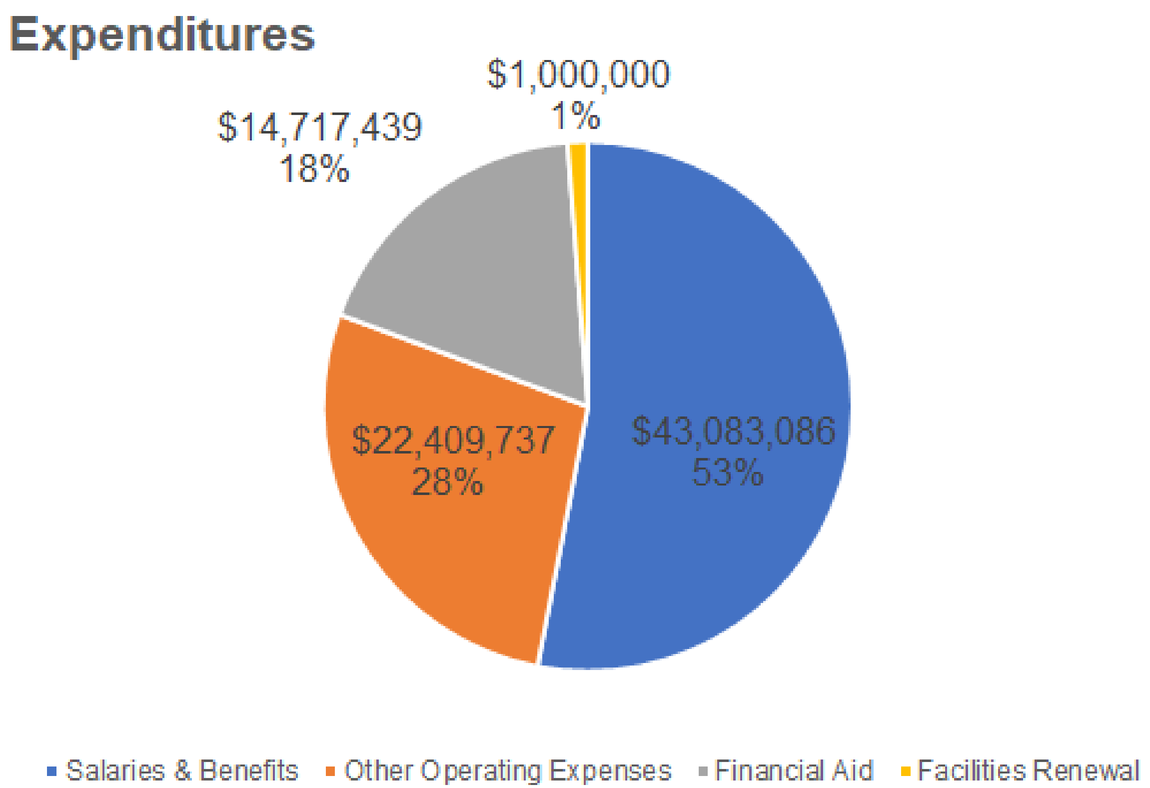
Source: BCCC Budget Office

Operating Budget Fiscal Year 2024



Total: **$81,210,262**

Operating Budget Fiscal Year 2024



Total: **$81,210,262**

BCCC Capital Debt Profile

➢ Debt Issued in Prior Five Fiscal Years & Amount Authorized but Unissued:

- BCCC has not issued debt in the prior five fiscal years.
- Bonding authority is $65 million for auxiliary and academic facilities.
- BCCC has no bond debt outstanding - the entire authorization remains unissued as of June 30, 2022

➢ Current Projections for New Issuances & Rating Agency Update:

- BCCC is currently assessing its position to issue debt.

➢ Ten-Year Projection:

- Any projected bond issuance has not yet been determined.

Five-Year Capital Program

- The College's Capital Budget request for **fiscal years 2024-2028**

Learning Commons Renovation and Addition (Library)

BCCC received $2,186,000 in FY23 to begin the design of the Learning Commons project. The FY24 request includes an additional $1,173,107 to continue the design of the renovation and addition to provide a modern learning commons with needed study space, electronic media space, and additional food service space.

The entire project is estimated to cost $41,067,601 and would be completed in FY25.

Five-Year Capital Program

➢ The College's Capital Budget request for **fiscal years 2024-2028**

- **Nursing Building Renovation and Addition**

BCCC requested $3,569,500 in FY24 to design the renovation and addition to the 1977 Nursing Building with needed office, classroom, and simulation lab space to increase the effect of the Nursing program and therefore contribute to the rising need for healthcare workers in the region.

The entire project is estimated to cost $43,105,490 and would be completed in FY27.

Five-Year Capital Program

➢ The College's Capital Budget request for **fiscal years 2023-2027**

- **Facilities Replacement Building**

BCCC requested $494,522 in FY24 to start the design for the replacement of Facilities trailer facility with permanent offices and shop space for planning, maintenance, environmental services, fleet, and logistics.

The entire project is estimated to cost $7,738,086 and would be completed in FY26.

Five-Year Capital Program

➢ The College's Capital Budget request for **fiscal years 2024-2028**

- **Wellness Center**

FY26 request for $2,887,370 in to start the design for the Wellness Center addition that will expand the recreation, health, and physical therapy spaces for students, staff, and community partners at the Physical Education Center.

The entire project is estimated to cost $37,284,976 and would be completed in FY28

Deferred Maintenance - Five-Year Capital Program

The College is requesting $16M for deferred maintenance projects in FY 2024 and $8M per year for the remaining 4 years in the CIP. The College has an extensive backlog of facility improvement needs that are long overdue. The aging utility and building systems have exceeded their life expectancy and are constantly being repaired. An engineering assessment was conducted, and deferred maintenance projects are needed to replace major systems and failing equipment throughout the campus, much of which has not been updated since the original construction in the 1960-70's.

<u>The College is requesting funding for the following projects:</u>

- Envelope (Windows, Doors, and Roofs)
- HVAC (Boilers and air handlers)
- Life Safety (Fire Alarm system replacement, generators)
- Electrical upgrades
- Restroom upgrades for ADA compliance
- Wayfinding signage

In-Progress Capital Program

- **<u>Perimeter Loop Road Improvements</u>**

Board of Public Works approved on September 1, 2021

Contract Value: $5,025,000

NTP September 28, 2021 with 18 months of Construction

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

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

Bard Building Demolition

- FY22 Capital Budget - Governor included $7.4m for demolition of the Bard Building
- 04/27/2022 BPW approved design contract award to RK&K for $282,591.90 to design the bidding documents
- 08/05/2022 Schematic Design Review
- Community Meeting this Fall
- Design work should be complete by December 2022, then 12 months for demolition, project complete by end of 2023.

CAPITAL DEBT
AFFORDABILITY COMMITTEE

Larry Hogan, Governor
State of Maryland

BALTIMORE CITY
COMMUNITY COLLEGE

Thank You!

Dr. Debra L. McCurdy
President
Baltimore City Community College

FRIDAY | OCTOBER 14, 2022

Review of Size and Condition of Debt of Higher Education Institutions:
Morgan State University

MORGAN STATE UNIVERSITY

PRESENTATION TO THE CAPITAL DEBT AFFORDABILITY COMMITTEE

Review of Size and Condition of Debt

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

October 14, 2022

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Morgan State University
Internal Debt Guidelines & Objectives

GUIDING PRINCIPLES

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

DEBT MANAGEMENT OBJECTIVES

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

Debt Issued in Prior Five Fiscal Years

Description/Series	Fiscal Year	Amount	Project
Bonds			
2018 Series Bonds 2020 Series Bonds	2019 2021	$24.7M $69.8M	HBCU Bond Debt HBCU Bond Debt
Prior Five Years		0	
Total Bonds		**$94.5M**	
Capital Lease – Building		$0	
Equipment – Leases/Purchases		$19.3M	Lease purchase agreement, equipment for the School of Business and WEAA Radio
Total Capital Leases		**$19.3M**	
Total Bonds & Capital Leases		**$113.8M**	

Outstanding and Unissued Debt

Principal Outstanding as of 6/30/22	Amount
Bonds	
2012 Series	$ 0.0M
2018 Series	0.0M
2020 Series	20.8M
	$20.8M
Capital Leases	$7.1M
Grand Total	**$27.9M**

Debt Authorized but Unissued	Amount
Debt and Legislative Authority	$140.0M
Principal Outstanding	40.9M
Total Unissued	**$99.1M**

- 2012 Series Revenue Bonds were defeased in October 2020 with proceeds from the 2020 HBCU Loan.
- 2018 Series Revenue Bonds were forgiven and satisfied by the U.S. Department of Education pursuant to the Consolidated Appropriations Act of 2021.
- 2020 Series Revenue Bonds disbursed prior to 12/27/20 were forgiven and satisfied by the U.S. Department of Education pursuant to the Consolidated Appropriations Act of 2021.
- HBCU Loan Bonds are a general obligation of the University and not secured by auxiliary revenue. Interest rate on the last installment was 3.5% and average 2.7% over the various disbursements.

Prospective Outstanding and Unissued Debt

Principal Outstanding as of 6/30/22 (proforma)	Amount
Bonds	
2012 Series	0.0M
2018 Series	0.0M
2020 Series (installment based)	44.1M
	$44.1M
Capital Leases	$7.1M
Grand Total	**$51.2M**

Debt Authorized but Unissued	Amount
Debt and Legislative Authority	$140.0M
Principal Outstanding	51.2M
Total Unissued	**$88.8M**

- The 2020 HBCU Loan Bonds funded:
- 2012 Defeasance for $21.25M (subsequently forgiven)
- New Public Safety Building (PSB) for $16.5M
- Dining facility for $32M
- All of MSU Bond debt is financed through the HBCU Loan program and are a general obligation of the University and not secured by auxiliary revenue.
- GASB 95 Capital Lease obligations are estimated to be approximately $19.5M effective for FY22.

Current Debt Service Projections – Next Ten Years

Description	Amount
Bonds	
Revenue Bond Series	
Principal	$0.0M
Interest	0.0M
Total Bonds	**$0.0M**
2020 HBCU Loan	
Principal	$ 5.6M
Interest	4.8M
Total Loans	**$ 10.4M**
Capital Leases	
Principal	$7.1M
Interest	0.4M
Total Leases	**$ 7.5M**
Total Debt Service	**$ 7.5M**

- Table at left is based on current bond debt outstanding of zero at 6/30/22.
- It is expected that the balance of the 2020 HBCU loan debt of $44.1 million will be fully disbursed by 6/30/23.
- Maximum annual debt service for the fully disbursed 2020 HBCU loan is projected to be approximately $2.4 million.

2022 HBCU Loan Bond Issuance

- **2022 HBCU Capital Project Financing Loan - $65M**
  - **An application has been submitted with the Department of Education for the new HBCU Loan**

– The New HBCU Loan is to provide funding for.
  - Student Housing Renovations
  - Deferred Maintenance

– Maximum Annual Debt Service is estimated at $3.9M

– The Loan is expected to close in late November 2022

– As with the current HBCU Loan, the New HBCU Loan will not be included in Revenue bonds outstanding.

Rating Agency Updates

- **Rating Agency Updates**
  - **Standard and Poor's**
    - ✓ Affirmed A+ rating in December 2021
    - ✓ Stable Outlook (upgraded from negative)
  - **Moody's**
    - ✓ Affirmed A1 rating May 2021
    - ✓ Stable Outlook
  - **Public Bonds:**
    - ✓ 2012 Series Bonds: defeased in October 2020 with proceeds from the 2020 HBCU Series Loan and subsequently forgiven and satisfied by the U.S. Department of Education in March 2021 pursuant to the Consolidated Appropriations Act of 2021

Rating Agency Updates (Cont.)

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

- **Credit Rating Challenges**
  - Strong competition in our market niche and from other public universities
  - Low endowment of approximately $40.0 million including university and foundation assets
  - Small unrestricted net asset balance

Comprehensive Deferred Maintenance Plan

- FY 2017 – Sightlines hired to conduct study – return on physical assets (ROPA)
- 90% of capital spending went to new space – not sustainable for a research university
- Identified over $200M in DM
  - Plan to attack and reduce DM
- Total partnership with state (DBM)
  - University borrowed $8M to fund plan
  - State put $39M in CIP plus an additional $29 M in the future CIP.
- Since FY19, the University has spent $22M in DM capital expenditures ($6M academic buildings, $4M resident halls/student life, and $12M infrastructure/other)
- Adopted DM policy – 2% of facility condition index per year
- Energy Management Strategy – MCEC/Siemens – EPC another source of funding

Overview of the new Thurgood Marshall Housing and Dining Project

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

Thurgood Marshall Housing and Dining Project

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

Thurgood Marshall Housing and Dining Project (cont’d)

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

Five-Year Capital Improvement Plan (CIP)

- **Five-Year Capital Improvement Program**
  - University appreciates the State's support for campus refurbishment and development
  - Current CIP provides for:

New Health & Human Services, Phase II	175.5M
New Science Building, Phase I	16.0M
New Science Building, Phase II	249.7M
Campus Expansion, Lake Clifton Demolition	18.5M
Carter-Grant Wilson Renovation	38.3M
Jenkins Demolition	15.1M
PEARL Oyster Lab	7.3M
CBEIS Concrete Lab	9.7M
Campus Wide Electric Upgrades	80.7M
Deferred Maintenance	30.0M
TOTAL	**$ 640.8M**

Review of Size and Condition of Debt of Higher Education Institutions:

University System of Maryland

Capital Debt Affordability Committee

October 14, 2022

Samantha Norris
Director of Financial Planning and Analysis

University System of Maryland

University System of Maryland

Agenda

- USM Contributions to Maryland
- Financing Principles
- Strategic Plan and Higher Ed Environment
- Future Capital Needs

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

University System of Maryland

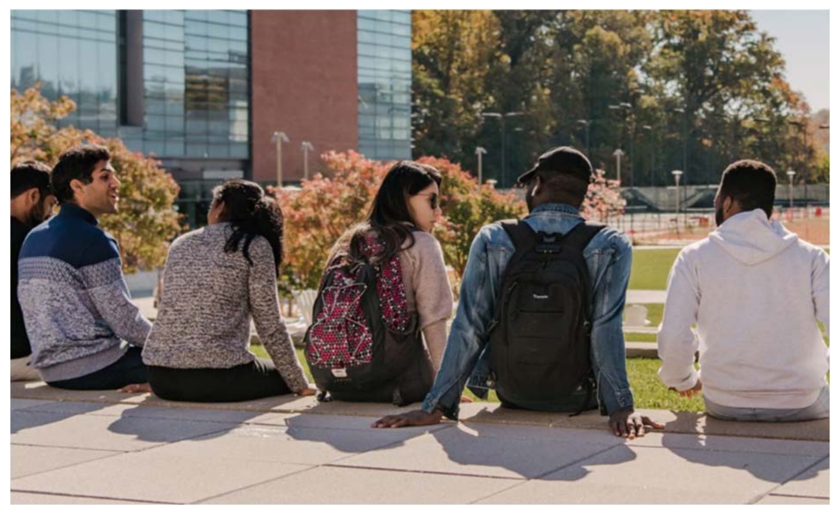
USM Contributions to Maryland

Access, Affordability & Achievement

- 165,000 students enrolled
- Low cost allows half of undergraduates to avoid loans
- 43,000 degrees awarded annually
- First-time undergraduates
  - 86% average 2-year retention rate
  - 71% average 6-year graduation rate

Diversity, Equity and Inclusion

- Raise the profile of HBCUs by activating enrollment management and strategizing for student success
- Improving excellence through increased diversity and inclusion
  - 30% of faculty & 42% of staff identify member of a minority racial/ethnic group



USM Contributions to Maryland

Workforce and Economic Development

Annually, USM graduates:

- 12,000 STEM graduates
- 2,000+ engineers
- 1,500 teachers
- 1,300 nurses
- 160 medical doctors

- 600+ new companies created/facilitated (since 2011)

Research and Impact

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

USM Financing Principles

- Currently fixed rate – variable to be added as interest rates rise
- 10, 20, and 30-year serial maturity and term bonds
  - The 10 and 30-year debt are new as of FY2021 to more accurately reflect life of assets
- Interest only first year
- Level debt service payments
- Revenue bonds secured by pledge of tuition and net auxiliary revenues & rate covenant
- Student housing financed through P3 deals when economically advantageous

Debt Issued Last 5+ Fiscal Years

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

(a) TIC of 2.36%

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

USM Debt Issuances and Covenants

- Maximum Annual Debt Service:
  - The University System agrees to fix, revise, charge and collect tuition revenues and auxiliary facility fees so the sum is not less than 200% of maximum annual debt service on the bonds.
    - For FY 2021: 12.5 times maximum annual debt service
    - For FY 2016: 12.5x
    - For FY 2011: 12.2x

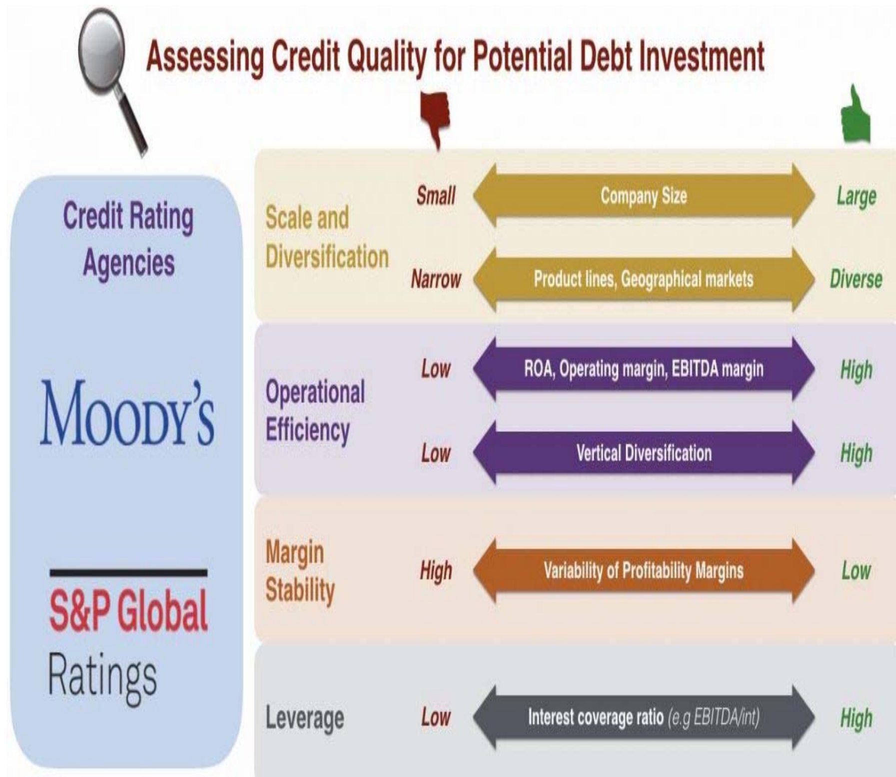
- Projected New Authorizations and Debt Service:
  - Authorizations: $115 million annually, FY2023 and thereafter
  - Expected Debt Service
    - FY 2024 $146,375,000
    - FY 2028 $152,363,000
    - FY 2032 $138,866,000

Rating Agency Update
(from February 2022 rating reports)

Bond Ratings – Outlook Stable

S&P AA+ Fitch AA+ Moody's Aa1

- Strengths
  - Important role as the state's largest public higher education
  - Track record of surpluses with good debt service coverage
  - Significant research activity
  - Consistent support from the State of Maryland
  - Manageable financial leverage with conservative debt structure
- Challenges/Weaknesses
  - Limited ability to grow net tuition
  - Stiff competition for federal research funding and students
  - Large unfunded pension liability



Legislative Debt Cap Developments

- During 2022 Session, USM was able to:
  - increase the legislative debt cap from $1.4B to $1.7B, and
  - increase maximum term to 33 years for all debt.

- Developments Impacting Debt Capacity:
  - Implementation of GASB87
    - Will leases continue to be counted against legislative debt cap?
  - UMCP NextGen Powerplant project
    - P3 project will count against our debt capacity, but not the legislative debt cap

UNIVERSITY SYSTEM of MARYLAND

USM Debt and Legislative Authority

Legislative Debt Cap		$ 1,700,000,000
Debt Outstanding, June 30, 2022*		
Comprised of:		
Revenue Bonds (at par)	$ 1,170,600,000	
Other (EPCs, MEAs)	7,171,607	
Leases	120,000,000	
Total outstanding (at par), June 30, 2022		1,297,771,607
Additional Debt Possible Within Debt Cap		**$ 402,228,393**

At June 30, 2022 unspent bond project authorizations beyond remaining bond proceeds totals $184,880,684

*** Preliminary and unaudited**

University System of Maryland

Why Invest in USM?

- USM Contributions to Maryland
  - Workforce development
  - Economic development
  - R & D

- Financing Principles
  - USM is a good steward of the investment

- Future Needs: USM is continuing to evolve

University System of Maryland

USM's Vision 2030:
From Excellence to Preeminence

USM Strategic Plan Implementation

Shifting from institution-focused to student-centric

Priorities concentrate on learner outcomes

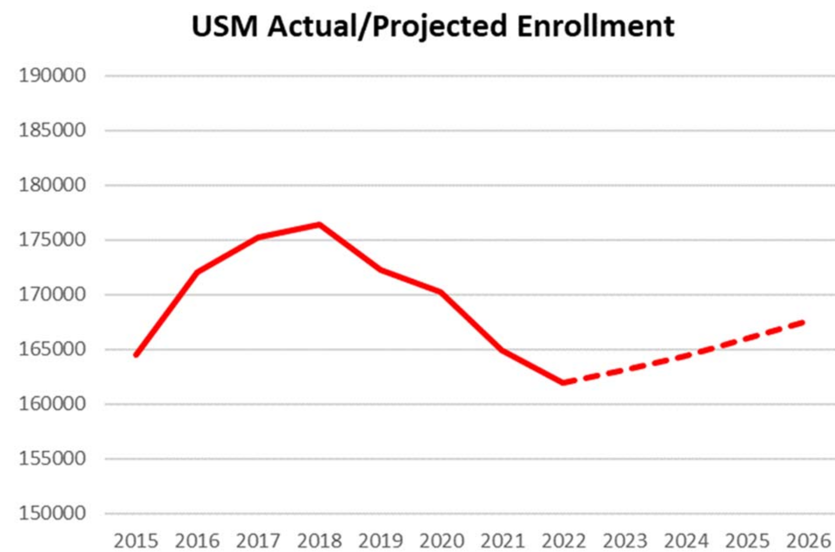
Connecting to Maryland's needs as identified in the State Plan

University System of Maryland

Evolving Higher Education Capital Needs

The USM enrollment

- Increase of nearly 10k students over the past 10 years despite pandemic-related declines
- Expected to rebound and is on the same trajectory for enrollment growth as pre-pandemic
- Project increase of an additional 10K students over the coming 10 years.



Self-support facilities

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

- Student housing
- Dining
- Student Unions
- Parking

Deferred Maintenance

State-supported capital facilities with a replacement value of more than $14.8B have a backlog of approximately $2.6B upkeep needed

Research facilities

1% growth per year in research expected

UNIVERSITY SYSTEM of MARYLAND

Capital Improvement Program

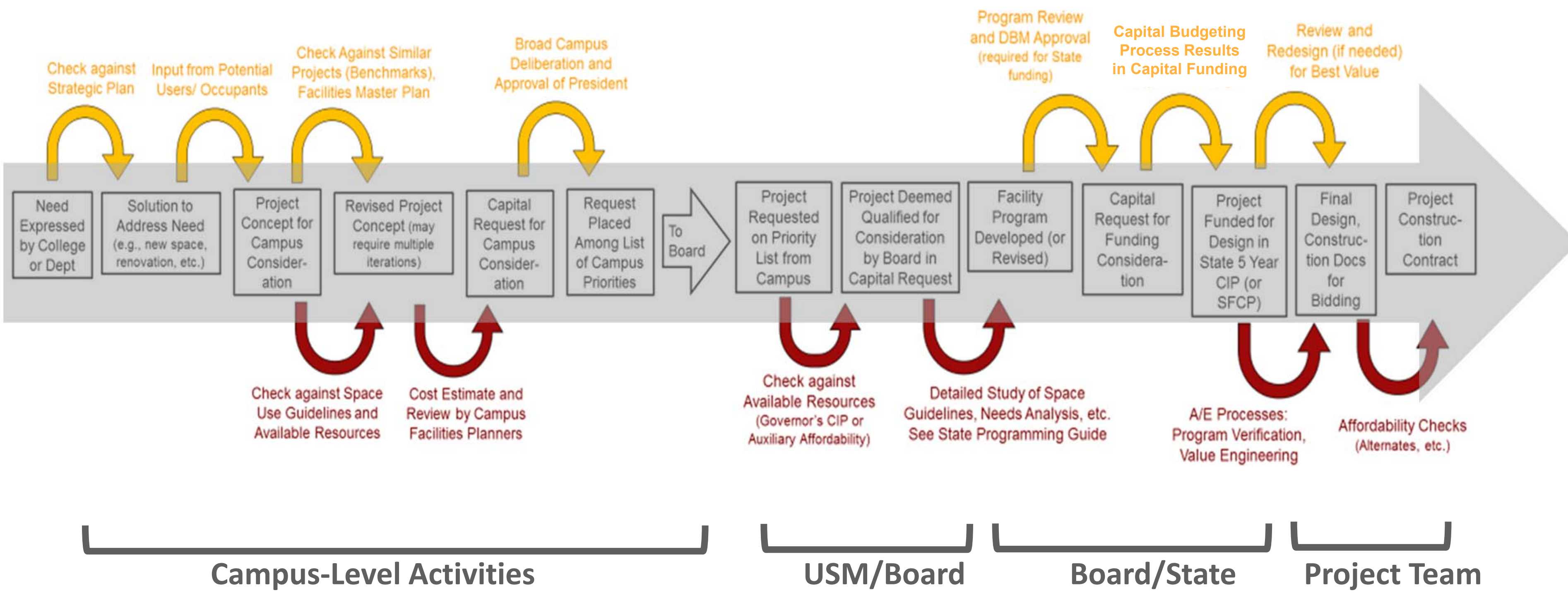
Five Year Capital Requests (FY 2023-2027)

- $1.36 billion ($272 million per year)
- USM Bonds for Academic Facilities
  - $25 million per year, ARB & GO
- Funding for 23 projects plus facilities renewal
- **75% of budget targeted for renovation or replacement projects**

System Funded Construction (FY 2023-2027)

- $398 million
- Funding 11 projects at 6 institutions
  - $330 million USM Bonds
  - $68 million Cash-funding

Capital Project Due Diligence Process



Review of Size and Condition of Debt of Higher Education Institutions:

St. Mary's College of Maryland

ST MARY'S
COLLEGE of MARYLAND

St. Mary's College of Maryland

Review of Size and Condition of Debt
October 14, 2022

The NATIONAL PUBLIC HONORS College

ST MARY'S
COLLEGE of MARYLAND

Five-Year Issuance History

- 2018 - $18.7 million in 2018 Series A Academic Fees and Auxiliary Fees Refunding Revenue Bonds to currently refund all remaining outstanding maturities of the College's 2005 Series A, 2006 Series A, 2014 Series A and the 2018 maturity of the 2012 Series A bonds
- 2021 - $20.0 million in 2021 Series A Subordinate Lien Note

ST MARY'S
COLLEGE of MARYLAND

Total Outstanding

- $39.865 million in Revenue Bonds as of 6/30/2022

Authorized, but unissued

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

ST MARY'S COLLEGE of MARYLAND

10-Year Debt Service

- 2023 – $3.79 million
- 2024 – 2033 varies from $3.79 million down to $1.76 million

St. Mary's College of Maryland

Refunding, New Issuances, and Ratings Updates

- There are no current refunding opportunities or considerations.

- Rating Agency Updates – Moody's underlying rating for St. Mary's College of Maryland debt is A2 with a stable outlook, updated and ***revised from negative to stable*** outlook in August 2021.

ST. MARY'S COLLEGE of MARYLAND

Five-Year Capital Improvement Plan

(as appears in the Governor's FY23 – FY27 CIP)

Hilda C. Landers Library Renovation
- FY23 — $4.0 million

Campus Infrastructure Improvements
- FY23+ Design/Construction — $13.0 million

Goodpaster Hall Renovation
- FY23 Construction/Equipment — $1.9 million

Montgomery Hall Renovation
- FY24+ Design & Construction — $40.4 million

Mount Aventine at Chapman State Park
- FY23 — $.1 million

ST MARY'S
COLLEGE of MARYLAND

Variable Rate Debt, Swaps

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