

**D28A03**  
**Maryland Stadium Authority**

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 04</b> <b><u>Actual</u></b>	<b>FY 05</b> <b><u>Working</u></b>	<b>FY 06</b> <b><u>Allowance</u></b>	<b>FY 05-06</b> <b><u>Change</u></b>	<b>% Change</b> <b><u>Prior Year</u></b>
General Fund	\$10,498	\$13,428	\$14,070	\$642	4.8%
Special Fund	21,881	21,235	21,000	-235	-1.1%
Non-budgeted Fund	<u>70,427</u>	<u>45,896</u>	<u>36,543</u>	<u>-9,353</u>	<u>-20.4%</u>
<b>Total Funds</b>	<b>\$102,806</b>	<b>\$80,559</b>	<b>\$71,613</b>	<b>-\$8,947</b>	<b>-11.1%</b>
<b>Adjusted Total</b>	<b>\$102,806</b>	<b>\$80,559</b>	<b>\$71,613</b>	<b>-\$8,947</b>	<b>-11.1%</b>

- A fiscal 2005 general fund deficiency of \$2.5 million is provided to fund the Baltimore City Convention Center (BCCC) operating deficit. The proposed deficiency is not included in the fiscal 2006 allowance total.
- Between fiscal 2005 and 2006, the decrease in nonbudgeted funds is principally due to a reduction of \$17.0 million in bond proceeds expenditures relating to the following two projects: development of Camden Station and the Montgomery County Conference Center (MCCC). The reduction is partially offset by a \$7.0 million increase in nonbudgeted funds for capital improvements at Orioles Park at Camden Yards.

***Personnel Data***

	<b>FY 04</b> <b><u>Actual</u></b>	<b>FY 05</b> <b><u>Working</u></b>	<b>FY 06</b> <b><u>Allowance</u></b>	<b>FY 05-06</b> <b><u>Change</u></b>
Regular Positions	83.50	83.50	82.80	-0.70
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>83.50</b>	<b>83.50</b>	<b>82.80</b>	<b>-0.70</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	0.00	0.00%
Positions Vacant as of 12/31/04	16.00	19.00%

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

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- The Stadium Authority's actual position count in each of the last three fiscal years was 82.8. In fiscal 2004 and 2005, MSA double-counted 0.7 of one position that was allocated to MCCC. MCCC was completed in fiscal 2005, and the double count eliminated.

## ***Analysis in Brief***

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### **Major Trends**

***Stadium Authority Creates the Camden Yards Sports and Entertainment Commission:*** In 2004, MSA authorized the creation of the Sports and Entertainment Commission to increase the number of major sporting and entertainment events held at the Camden Yards Complex. The commission will include Baltimore area professionals from the sports, entertainment, and hospitality industries. **The Department of Legislative Services (DLS) recommends that MSA brief the committees on the formation of the commission and its efforts to increase the number of major sporting and entertainment events held at the Camden Yards Complex.**

***MSA in Search of Projects:*** At the close of fiscal 2005, the number of projects that MSA is participating in is expected to decline. **MSA is advised to brief the committees concerning its efforts to find new projects.**

### **Issues**

***Lottery Proceeds and Cash Flow Analysis for the Maryland Stadium Authority Financing Fund:*** Each year MSA forecasts its cash-flow needs for the Maryland Stadium Authority Financing Fund (MSAFF) and the amount of lottery revenues needed to meet those obligations. **MSA is advised to brief the committees on the projected impact to MSAFF given the expected drop in baseball revenue and the projected increase in operating and maintenance expenses at the Camden Yards Complex.**

***Baltimore City Convention Center's Economic Benefit Diminishing:*** Committee narrative adopted in the *2004 Joint Chairmen Report* directed that MSA, with assistance from the Department of Business and Economic Development (DBED) and in consultation with the Baltimore Area Convention and Visitors Association (BAVCA), prepare a report examining how major metropolitan cities fund convention center operations as well as provide an outline of possible business strategies to increase utilization of the BCCC. MSA completed the report in December 2004. **DLS recommends that MSA brief the committees on future funding alternatives for BCCC's operating deficit and options under consideration to increase the utilization of the BCCC.**

**Recommended Actions**

	<u><b>Funds</b></u>
1. Reduce special funds for grants in the Facilities Fund.	\$ 500,000
2. Reduce general funds for the Baltimore City Convention Center fiscal 2005 deficiency request.	113,000
<b>Total Reductions to Fiscal 2005 Deficiency Appropriation</b>	<b>\$ 113,000</b>
<b>Total Reductions to Allowance</b>	<b>\$ 500,000</b>

**Updates**

*Current MSA Project Update:* This update summarizes the projects that MSA is currently working on during fiscal 2005 and 2006.

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***Operating Budget Analysis***

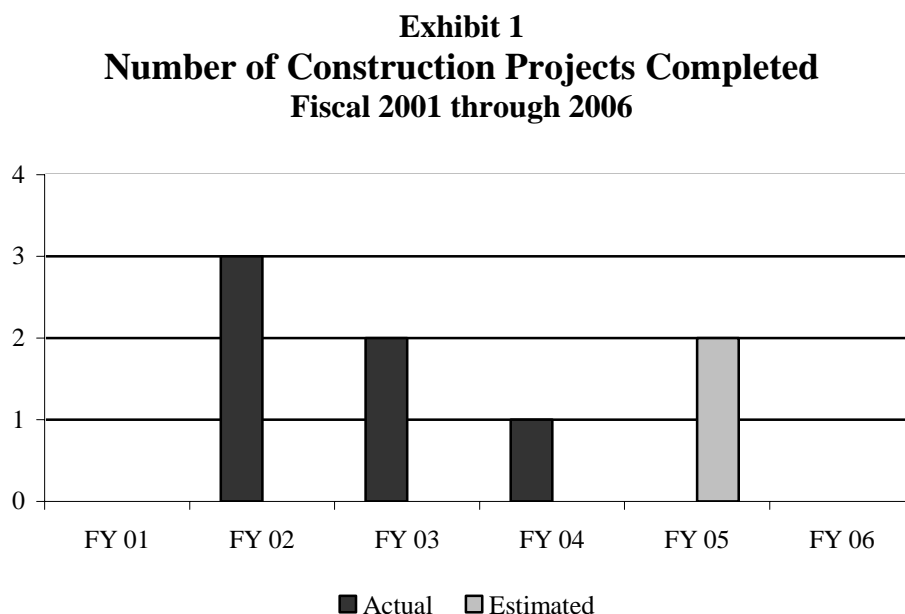
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**Program Description**

The Maryland Stadium Authority (MSA) was established in 1986 as an independent unit in the Executive Department to be responsible for the construction, operation, and maintenance of facilities for use by professional baseball and/or football teams. In 1992, legislation was enacted which assigned to the authority the responsibility for expansion of the Baltimore City Convention Center (BCCC). The authority's responsibility was further extended in 1995 when legislation was enacted to have the authority participate in and manage construction of an expansion of the Ocean City Convention Center (OCCC). Legislation enacted in 1996 authorized the authority to participate with Montgomery County in the construction of a conference center. Legislation enacted in 2000 authorized the authority to participate in the construction of the Hippodrome Performing Arts Center. Authorizing language in the capital budget bill of 1998 allows MSA to contract with local governments and State agencies to manage construction projects, provided that the contracting agency can fund the project and the budget committees have 30 days to review and comment on the proposed work.

**Performance Analysis: Managing for Results**

**Exhibit 1** shows the number of construction projects MSA has completed each year from fiscal 2001 through fiscal 2006.



Source: Maryland Stadium Authority

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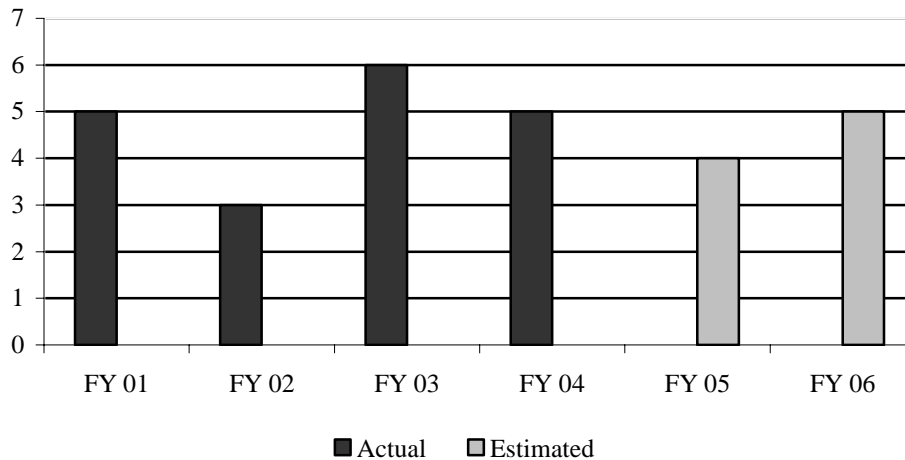
- **MSA in Search of Projects:** In fiscal 2005, the authority is involved with two construction projects: Montgomery County Convention Center (MCCC) and Camden Station.

<u>Project</u>	<u>Completion Date</u>
MCCC	November 2004
	<u>Scheduled Completion Date</u>
Camden Station	May 2005

The authority also has received approval from the budget committees to undertake a feasibility study for a new arena in Downtown Baltimore City and to assist Charles County with the design and construction of a minor league baseball stadium. **DLS recommends that MSA brief the committees on construction projects that it is currently investigating and on its continuing effort to find projects.**

**Exhibit 2** shows the number of events in addition to professional sporting events held at the Camden Yards Complex.

**Exhibit 2  
Events in Addition to Professional Sports  
Fiscal 2001 through 2006**



Source: Maryland Stadium Authority

- **Other Events:** In order to increase the use of Camden Yards and to generate additional revenues, MSA attempts to book other sporting events and concerts at the Camden Yards site. As shown in Exhibit 2, MSA has held between three and six amateur sporting events per year since fiscal

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2001. In fiscal 2006, MSA will host a Maryland/Navy football game, the ACC Lacrosse Championship game, and three high school football games. In an effort to increase the number of major sporting and entertainment events held at Camden Yards, MSA has authorized the creation of the Sports and Entertainment Commission in 2004. The commission will consist of Baltimore area professionals from the sports, entertainment, and hospitality industries. MSA has budgeted \$150,000 in both fiscal 2005 and 2006 to support the commission. **DLS recommends that MSA brief the committees on the formation of the commission and its efforts to increase the number of major sporting and entertainment events at Camden Yards.**

## **Fiscal 2005 Actions**

### **Proposed Deficiency**

The allowance provides for a \$2.5 million general fund deficiency for fiscal 2005. According to Section 13-712.1 of the State Finance Procurement Article, MSA is required to contribute two-thirds toward the annual operating deficit for the BCCC through fiscal 2008. Over the past few years the allowance has not provided sufficient funds to cover BCCC's operating deficit, and as a result, a deficiency has accumulated. The \$2.5 million is necessary to cover the deficiency and to meet the statutorily required obligation.

## **Governor's Proposed Budget**

Major changes to MSA's activities for fiscal 2006 are presented in **Exhibit 3**. The authority's activities are supported by a combination of general, special, and nonbudgeted funds. The total allowance for fiscal 2006 is \$71,612,615, consisting of \$14,069,904 in general funds, \$21,000,000 in special funds, and \$36,542,713 in nonbudgeted funds. Adjustments to MSA's nonbudgeted expenditure activities for fiscal 2006 accounts for virtually all of the \$8.9 million decrease. Funding changes to the individual fund categories are discussed below.

**Exhibit 3**  
**Governor's Proposed Budget**  
**Maryland Stadium Authority**  
(\$ in Thousands)

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Non- budgeted Fund</b>	<b>Total</b>
2005 Working Appropriation	\$13,428	\$21,235	\$45,896	\$80,559
2006 Governor's Allowance	14,070	21,000	36,543	71,613
Contingent & Back of Bill Reductions	0	0	0	0
Adjusted Allowance	<u>14,070</u>	<u>21,000</u>	<u>36,543</u>	<u>71,613</u>
Amount Change	\$642	-\$235	-\$9,353	-\$8,947
Percent Change	4.8%	-1.1%	-20.4%	-11.1%

**Where It Goes:**

**General Funds**

BCCC operating support.....	\$699
BCCC debt service.....	1
OCCC operating support.....	41
OCCC debt service.....	5
Hippodrome debt service .....	-10
MCCC Administrative Expenses .....	-94

**Special Funds**

Lottery Proceeds – applied to debt service on Camden Yards Complex bonds ..	-\$235
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**Nonbudgeted funds**

Camden Station - bond proceed expenditure .....	-4,774
MCCC – bond proceed expenditure.....	-12,243
Camden Yards Debt Service .....	585
State Rent Payment .....	-331
Oriole Park Capital Improvements (\$10 million parity fund).....	7,000
Baseball Suite Renovation .....	500
Hippodrome Performing Arts Center (construction expenditure) .....	-840
Camden Yards Facilities Management .....	554
Other.....	195

<b>Total</b>	<b>-\$8,947</b>
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Note: Numbers may not sum to total due to rounding.

## **General Funds**

The allowance for general funds is \$14.1 million which is an increase of \$641,634 above the adjusted fiscal 2005 working appropriation. General funds support the State's contribution to the operating deficits for BCCC and OCCC, as well as the debt service on the bonds issued by MSA for those projects. The fiscal 2006 allowance also provides funds to support the debt service on MSA revenue bonds sold to support the construction of the Hippodrome Performing Arts Center and the MCCC.

- ***Baltimore City Convention Center:*** Section 13-712.1 of the Financial Institutions Article requires MSA to contribute two-thirds toward the annual operating deficit of BCCC through the fiscal 2008 budget. The fiscal 2006 general fund allowance for MSA's contribution to the BCCC operating deficit is \$3,590,000 which is a \$699,052 increase over the adjusted fiscal 2005 working appropriation. Debt service costs for the authority's revenue bonds issued for the BCCC construction accounts for \$4,884,204 in general funds, which is a \$694 increase from the adjusted fiscal 2005 working appropriation. The allowance also provides \$200,000 for MSA's statutorily required contribution to a BCCC capital improvement fund.
- ***Ocean City Convention Center:*** MSA is also required under Section 13-712.1 of the Financial Institutions Article to contribute one-half of the annual operating deficits of OCCC through fiscal 2008. The allowance provides \$1,227,216 for this expenditure, which is a \$41,495 increase from the fiscal 2005 working appropriation. Debt service costs for the authority's revenue bonds issued for the OCCC construction accounts for \$1,485,784 in general funds which is a \$4,800 increase from the adjusted fiscal 2005 working appropriation. The allowance also provides an additional \$50,000 for MSA's statutorily required contribution to the OCCC capital improvement fund.
- ***Hippodrome Performing Arts Center:*** The allowance provides \$880,000 to fund fiscal 2006 debt service for MSA revenue bonds sold to fund a portion of the Hippodrome construction project. This represents a \$10,187 decrease from the adjusted fiscal 2005 working appropriation.
- ***Montgomery County Conference Center:*** The fiscal 2006 allowance provides \$1.8 million for the debt service costs for the authority's revenue bonds. MCCC completed construction in November 2004, and as a result, \$94,200 in administrative expense is no longer being charged to MCCC.

## **Special Funds**

The fiscal 2006 allowance for special funds is \$21.0 million. This is a decrease of \$235,000 from the fiscal 2005 allowance. MSA receives an annual appropriation of special funds from the State Lottery Agency to fund the financing costs of any element of the Camden Yards facilities. Historically, the lottery proceeds have been used to make debt service payments on the MSA bond issues.

## **Nonbudgeted Funds**

The allowance for nonbudgeted funds, decreased \$9,353,194 or 20.4% from \$45,895,907 to \$36,542,713. Adjustments in MSA's nonbudgeted fund expenditures reflect the varying construction schedules for projects funded in part with MSA revenue bonds, as well as the other source revenues. Adjustments include:

- ***Competed Construction Projects:*** In fiscal 2005, MSA will complete two construction projects, the Camden Station Renovation and the MCCC. MSA's fiscal 2006 budget decreases the amount of nonbudgeted funds by \$4.8 million for the Camden Station renovation and \$12.2 million for the MCCC below the fiscal 2005 level of funding. Camden Station is expected to be completed in May 2005, and the MCCC was completed in November 2004.
- ***Debt Service:*** MSA budgeted \$836,691 of nonbudgeted funds to meet the shortfall between the fiscal 2006 lottery appropriation of \$21.0 million and the Camden Yards debt service of \$21.8 million. This represents a \$585,210 increase above the fiscal 2005 working appropriation.
- ***State Rent Payment:*** As a result of increasing salaries, cleaning, maintenance, and renovation expenses at the Camden Yards Complex, the Stadium Authority is projecting a decrease in the State rent payment in fiscal 2006 of \$331,000.
- ***Orioles Capital Improvement Fund:*** MSA has budgeted \$8.0 million from the Capital Improvement Fund established under the Orioles lease to fund renovations to the club level section at Orioles Park at Camden Yards. This increases the amount of nonbudgeted funds by \$7.0 million above the fiscal 2005 level of funding. The \$8.0 million represents a portion of the \$10 million deposited into the improvements account resulting from an arbitration panel ruling concerning a contract dispute between MSA and the Baltimore Orioles.
- ***Baseball Suite Renovations:*** MSA has budgeted \$1,250,000 to fund renovations to the baseball suites at Orioles Park at Camden Yards. This is an increase of \$500,000 from the \$750,000 proposed for fiscal 2005. MSA is renovating the suites in conjunction with lease renewals of the suites. In fiscal 2006, MSA will upgrade approximately 12 to 14 suites.
- ***Hippodrome Performing Arts Center:*** Due to the completion of the construction phase, the fiscal 2006 budget for the Hippodrome Performing Arts Center decreases by \$840,000 below the fiscal 2005 level of funding. The Hippodrome opened in February 2004.
- ***Camden Yards Facilities Management:*** MSA's fiscal 2006 budget for the Camden Yards facilities management increases the amount of nonbudgeted funds by \$554,000 above the fiscal 2005 level of funding.

## Issues

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### 1. Lottery Proceeds and Cash Flow Analysis for the Maryland Stadium Authority Financing Fund

MSAFF receives all revenues associated with Camden Yards – bond proceeds, lottery revenues, admissions taxes, rent payments from the Baltimore Orioles and tenants in the warehouse, parking fees, maintenance payments from the Baltimore Ravens, and the annual \$1 million payment from Baltimore City. All the expenses associated with the general administration of the authority and the operation of the facilities at Camden Yards is paid from this nonbudgeted fund account. The cash flow analysis provided in **Appendix 5** presents MSA's actual fiscal 2004 and estimated fiscal 2005 and 2006 revenues and expenditures.

#### Analysis of Revenue and Expenditure Trends

Based upon the \$21 million in lottery proceeds included in the fiscal 2006 allowance, estimated revenues generated at the Camden Sports Complex of \$26.0 million, Baltimore City's annual \$1 million contribution, combined MSA administrative costs and Camden Yards facilities operating costs of \$22.4 million, estimated capital project costs of \$1.7 million, debt service costs of \$21.8 million, the statutorily required \$2.4 million payment to the Public School Construction Fund (PSCF), and a State rent payment of \$200,000, MSA is projecting a fund balance in the MSAFF of \$2.8 million at the close of fiscal 2006. DLS makes the following observations.

- ***Fiscal 2004 Revenues Exceed Expenses, Returning \$3.0 Million to the General Fund:*** MSA is required to pay rent to the State in an amount equal to the difference between its actual revenues and actual expenses. The rent formula is built into the sublease agreements for M & T Stadium, Orioles Stadium, Camden Station, the Baltimore City Convention Center (BCCC), and the Ocean City Convention Center (OCCC). The convention centers have always operated at a deficit so no rent is due. Based on the rent formula for the stadiums and Camden Station, as shown in **Exhibit 4**, the authority returned \$3.0 million to the State in fiscal 2004. The rent due was from actual revenues exceeding actual expenses at the Camden Yards facilities. In fiscal 2004, revenues at Camden Yards increased 4.8% from \$25.9 million to \$27.2 million. The increase is attributable to higher Ravens ticket prices; a Ravens Playoff game; increased attendance at Orioles baseball games; higher admissions tax revenues from Ravens games, NCAA Lacrosse, and Navy/Notre Dame football; and decreased operating expenses at the two stadiums. Although the fiscal 2004 rent payment was considerable, the authority is estimating the fiscal 2005 and 2006 rent payments to be substantially lower. **DLS recommends MSA brief the committees on the factors contributing to the expected decrease in the fiscal 2005 and 2006 State rent payment.**

**Exhibit 4**  
**State Rent Payment**  
**Fiscal 2004 through 2006**  
**(\$ in Thousands)**

	<u>Actual</u> <u>FY 2004</u>	<u>Est.</u> <u>FY 2005</u>	<u>Est.</u> <u>FY 2006</u>
Beginning Balance	\$3,782	\$4,258 *	\$3,458
Revenues	27,848	25,208	26,956
<b>Total Revenues</b>	<b>\$31,630</b>	<b>29,466</b>	<b>30,414</b>
Authority Expenses	\$2,870	2,880	3,200
Camden Yards Operating Expenses	18,092	19,845	20,899
School Construction	2,400	2,400	2,400
Major Repair and Replacement	1,000	100	50
Debt Service in Excess of Lottery Proceeds	0	252	837
Working Capital Reserve	4,258	3,458	2,828
<b>Total Expenses</b>	<b>\$28,620</b>	<b>\$28,935</b>	<b>\$30,214</b>
<b>State Rent Payment</b>	<b>\$3,010</b>	<b>\$531</b>	<b>\$200</b>

\*Fiscal 2005 beginning balance does not include Camden Station bond proceeds of \$4,774,000

Source: Maryland Stadium Authority

- **Fiscal 2005 Revenues Expected to Decline Approximately \$2.0 Million:** Beginning in 2005, the Washington Nationals will begin playing baseball in Washington, DC. The Stadium Authority has estimated a drop in baseball revenue and admissions taxes of 8.3% and an overall revenue reduction of approximately \$2.0 million, or 7.3%. **DLS recommends MSA brief the committees on the factors contributing to the projected decline in revenues and on the impact to MSA and the State as a result of the presence of the Washington Nationals. DLS also recommends MSA brief the committees on what steps are being taken to minimize the impact on net revenue.**
- **Fiscal 2006 Revenues and Expenses:** Fiscal 2006 revenues are expected to increase due to higher Orioles baseball ticket prices, additional warehouse rent from Camden Station, and increased in-stadium advertising revenue. The increase in revenue is projected to be offset by rising operating and maintenance costs at the stadiums. MSA administrative expenses are projected to increase by an average of 9.3% annually from \$2.45 million in fiscal 2003 to \$3.2 million in fiscal 2006. **DLS recommends that MSA brief the committees on the factors contributing to the increase in MSA administrative expenses.**

## **2. Baltimore City Convention Center's Economic Benefit Diminishing**

In response to the recent increases in the BCCC operating deficit, committee narrative adopted in the 2004 *Joint Chairmen Report* directed that MSA, with assistance from DBED and in consultation with the BACVA, prepare a report examining how major metropolitan cities fund convention center operations as well as provide an outline of possible business strategies to increase the utilization of the BCCC.

### **Overview**

A review of the report prepared by MSA provides the following information.

- Virtually all convention centers nationwide function as “loss leaders.” They operate at a loss with the primary goal of generating economic impact in the form of increased spending and tax revenues. Out-of-town conventions and tradeshow generate a greater economic impact to the regional economy. However, competition for these events has increased substantially in recent years as more cities have added convention centers.
- The BCCC is attracting a comparable number of events and attendees as its competitors; however, it is not attracting enough out-of-town business, and as a result, the economic benefit to the State and city is diminishing.
- The Department of Budget and Management estimates the BCCC generates between \$12.2 and \$14.2 million in State tax revenue; however, as shown in **Exhibit 5**, the State's net economic benefit has diminished. In 2004, the State contributed \$13.5 million to support the BCCC, but received only \$702,000 in economic net benefit, a 68.7% decrease from fiscal 2003. In addition, in each of the last two fiscal years, the BCCC had a negative net economic impact on Baltimore City that is expected to continue to increase in fiscal 2005 and 2006.

**Exhibit 5**  
**Net Economic Impact to the State and Baltimore City**  
**Fiscal 2003 through 2006**  
**(\$ in Thousands)**

	<u>Actual</u> <u>FY 2003</u>	<u>Actual</u> <u>FY 2004</u>	<u>Est.</u> <u>FY 2005</u>	<u>Est.</u> <u>FY 2006</u>
Revenue	\$9,591	\$9,304	\$10,171	\$9,541
Expenses	<u>-13,426</u>	<u>-14,851</u>	<u>-15,236</u>	<u>-14,900</u>
<b>Total BCCC Operating Deficit</b>	<b>-<u>\$3,835</u></b>	<b>-<u>\$5,547</u></b>	<b><u>\$5,065</u></b>	<b><u>\$5,359</u></b>
<b>State's Portion of Operating Deficit</b>	<b>\$2,557</b>	<b>\$3,698</b>	<b>\$3,377</b>	<b>\$3,572</b>
<b>Economic Impact to the State</b>				
State Tax Revenues	\$14,600	\$14,200	\$14,200	\$14,200
State Debt Service & Portion of Operating Deficit	<u>-12,357</u>	<u>-13,498</u>	<u>-13,177</u>	<u>-13,372</u>
<b>State's Net Economic Impact</b>	<b><u>\$2,243</u></b>	<b><u>\$702</u></b>	<b><u>\$1,023</u></b>	<b><u>\$828</u></b>
<b>Economic Impact to the City</b>				
Local Tax Revenues	\$5,800	\$5,800	\$5,800	\$5,800
City Debt Service & Portion of Operating Deficit	<u>-5,878</u>	<u>-6,449</u>	<u>-6,288</u>	<u>-6,386</u>
<b>Local Net Economic Impact</b>	<b>-<u>\$78</u></b>	<b>-<u>649</u></b>	<b>-<u>488</u></b>	<b>-<u>586</u></b>

Sources: Report of Funding Sources for Convention Center Operations and Associated Visitor Associations and the Department of Budget and Management

- Contributing to the diminished economic impact, BCCC's operating deficit has increased 101.1% from fiscal 2001 through fiscal 2004. Compared to competitor cities, BCCC's operating expenses of \$49.50/square foot (sq. ft.) and revenues of \$31.01/sq. ft. are well above its competition as shown in **Exhibit 6**. **DLS recommends that MSA brief the committees on the factors contributing to why the BCCC operating expenses are significantly above its competitors.**

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**Exhibit 6**  
**Baltimore City Convention Center**  
**Operating Revenue and Expense per Square Foot of Exhibit Space**  
**2004**

<u>Competitor City</u>	<u>Operating Revenue Per Sq. Ft.</u>	<u>Operating Expenses Per Sq. Ft.</u>
Atlanta, GA	\$19.40	\$22.47
Boston, MA	13.76	32.77
Charlotte, NC	27.97	36.33
Nashville, TN	29.78	44.67
Orlando, FL	21.47	26.49
Philadelphia, PA	22.60	50.68
Pittsburgh, PA	21.78	30.28
<b>Baltimore, MD</b>	<b>31.01</b>	<b>49.50</b>
Mean	<b>\$22.40</b>	<b>\$34.81</b>
Median	<b>\$21.78</b>	<b>\$32.77</b>

Sq. Ft. = Square Foot

Source: Report of Funding Sources for Convention Center Operations and Associated Visitor Associations

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- The primary sources of non-operating revenue for most convention centers are hotel and other dedicated taxes. Baltimore and Boston are the only two cities reviewed in the report that do not fund their debt service or operating expenses via dedicated hotel and tourism taxes.
- Convention and visitor associations, such as BACVA are typically funded 77% by public sources, with hotel and room taxes comprising 63.3% of the total. In fiscal 2004, 88% of BACVA's annual budget was funded via public monies. Other public sources of funding include a restaurant tax in Charlotte and a state tourism tax grant (\$2.2 million) in Philadelphia. Private sources of revenue include donations, advertising, and membership dues.

### **Baltimore City Convention Center Operating Deficit**

According to Section 13-712.1 of the State Finance Procurement Article, the MSA is required to contribute two-thirds toward the annual operating deficit for the BCCC through fiscal 2008. Baltimore City is responsible for the remaining one-third share. As shown in **Exhibit 7**, BCCC's operating deficit has increased 101.1% from \$2.8 million in fiscal 2001 to \$5.5 million in fiscal 2004. The proposed fiscal 2005 deficiency appropriation of \$2.5 million substantially reduces the balance due to BCCC and meets the statutory obligation.

**Exhibit 7**  
**Baltimore Convention Center Operating Deficit**  
**Fiscal 2001 through 2005**  
**(\$ in Thousands)**

	<b>FY 2001 <u>Actual</u></b>	<b>FY 2002 <u>Actual</u></b>	<b>FY 2003 <u>Actual</u></b>	<b>FY 2004 <u>Actual</u></b>	<b>FY 2005 <u>Est.</u></b>	<b>FY 2006 <u>Est.</u></b>	<b>Ann. % <u>01-03</u></b>	<b>Ann. % <u>03-06</u></b>
Revenues	\$9,941	\$11,063	\$9,591	\$9,304	\$10,171	\$9,541	-1.8%	-0.2%
Operating Expenses	12,699	13,432	13,426	14,851	15,236	14,900	2.8%	3.5%
Operating Deficit	-2,758	-2,369	-3,835	-5,547	-5,065	-5,359		
State's Share (two-thirds)	-1,838	-1,579	-2,557	-3,698	-3,377	-3,572		
Budgeted by MSA	2,010	1,912	1,862	1,987	2,891	3,590		
<b>Over / Under</b>	<b>172</b>	<b>333</b>	<b>-695</b>	<b>-1,711</b>	<b>-486</b>	<b>18</b>		
<b>Running Balance FY 2005</b>	<b>172</b>	<b>505</b>	<b>-\$190</b>	<b>-\$1,901</b>	<b>-\$2,387</b>	<b>\$131</b>		
<b>Deficiency Appropriation</b>					<b>\$2,500</b>			

Source: Maryland Stadium Authority

### **Business Strategies and Future Funding Alternatives**

In fiscal 2008, the State's statutory obligation to fund the operating deficit of the BCCC terminates. The authority recently convened a task force, comprised of business leaders to identify future funding options for BCCC's operating deficit and to analyze options to increase the utilization of the BCCC. In addition, Baltimore City, which owns and operates the convention center, is conducting an operational assessment to review BCCC's efficiencies and to explore strategies to increase business and enhance operational and tax-related revenue. **DLS recommends that MSA brief the committees on future funding alternatives for BCCC's operating deficit and the options under consideration to increase the utilization of the BCCC.**

**In light of impending termination of the statutory requirement and the convening of the MSA task force, the General Assembly may wish to consider expressing policy intent regarding the future funding options for the convention centers. Should the General Assembly wish to express policy intent, legislation or language could be introduced to:**

- 1. require the State appropriation to end consistent with the statutory language;**
- 2. require the State appropriation to continue to support the operating deficits at the current two-thirds level or an alternative level; or**
- 3. require an alternative funding source such as a hotel, restaurant, or tourism tax to support the operating deficits.**

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce special funds for grants in the Facilities Fund. The Facilities Fund receives a yearly transfer of special funds from the State Lottery Agency. These funds are used to pay the debt service and financing costs of the bonds that the Maryland Stadium Authority (MSA) issues on behalf of the State. A reduction of \$500,000 still allows MSA to make all debt service payments and conclude the fiscal year with a fund balance in excess of \$1.8 million.	\$ 500,000	SF
2. Reduce general funds for the Baltimore City Convention Center (BCCC) fiscal 2005 deficiency request. With this reduction, a total of \$2,387,000 in additional fiscal 2005 funding would be provided to fund the BCCC operating deficit. This reduction reduces the balance due to the BCCC in fiscal 2005 to zero.	113,000	GF
<b>Total Reductions to Fiscal 2005 Deficiency</b>	<b>\$ 113,000</b>	GF
<b>Total Special Fund Reductions to Allowance</b>	<b>\$ 500,000</b>	

## ***Updates***

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### **1. Current MSA Project Update**

The authority is currently involved with two projects: the renovation of Camden Station, which is the historic B&O train station located at Camden Yards, and a feasibility study for a new arena in downtown Baltimore City. This update provides a description of current and completed projects in fiscal 2005 and 2006.

#### **Camden Station Project**

In February 2004, the authority issued \$8.7 million in 20-year taxable revenue bonds for the renovation of the Camden Station. Of that amount, \$8.0 million is to pay for the capital construction associated with the development of the project. The remaining bond proceeds will be used to pay capitalized interest, costs of issuance, and bond insurance. The capital interest period covers bi-annual debt service payments through June 15, 2006. The fiscal 2005 debt service cost for the authority's revenue bonds is \$213,706.

The interior of the Camden Station is being renovated to accommodate two or more tenants. The Babe Ruth Museum will rent approximately 22,551 square feet, and one or more as yet to be determined commercial tenants will rent approximately 17,254 square feet. The Babe Ruth Museum is expected to open in May 2005.

#### **Baltimore City Arena Feasibility Study**

MSA has received approval from the budget committees to undertake a feasibility study for a new arena in downtown Baltimore City. The study will be paid 70% from a grant by DBED and 30% by the Downtown Partnership of Baltimore, Inc. To date, the authority has issued a feasibility study request for proposal, received bids, conducted interviews, and selected a consultant. The report is to be completed by the end of fiscal 2005.

#### **Charles County Minor League Baseball Stadium**

The authority has received approval from the budget committees to assist Charles County with the design and construction of a minor league baseball stadium. The stadium will be located in Charles County, Maryland. Costs of architects and engineering fees have been paid by the Charles County government and Maryland Baseball, LLC., the stadium tenant. If constructed, the stadium will seat approximately 5,000 people.

**Montgomery County Convention Center**

MCCC opened in November 2004. The project was a joint partnership between the State of Maryland, Montgomery County, Quadrangle Development Corporation, and Marriott Hotels. The total cost for the project, including the hotel, was \$66.0 million. The State's investment was \$20.4 million. MCCC provides a 23,000 sq. ft. ballroom and 21 meeting rooms, which can accommodate between 100 to 3,000 people. Adjoining the conference center is a 225-room Marriott hotel.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Maryland Stadium Authority (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$10,498	\$22,000	\$0	\$0	\$32,498
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-119	0	0	-119
<b>Actual Expenditures</b>	<b>\$10,498</b>	<b>\$21,881</b>	<b>\$0</b>	<b>\$0</b>	<b>\$32,379</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$13,428	\$21,328	\$0	\$0	\$34,756
Budget Amendments	0	-93	0	0	-93
<b>Working Appropriation</b>	<b>\$13,428</b>	<b>\$21,235</b>	<b>\$0</b>	<b>\$0</b>	<b>\$34,663</b>

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

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### **Fiscal 2004**

- MSA finished fiscal 2004 \$119,102 below the original legislative appropriation. The reduction was entirely due to a special fund reversion of lottery proceeds. The lottery proceeds were in excess of what was required to service the debt.

## ***Audit Findings***

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Audit Period for Last Audit:	December 20, 2000 – December 31, 2002
Issue Date:	February 2004
Number of Findings:	14
Number of Repeat Findings:	5
% of Repeat Findings:	36%
Rating: (if applicable)	n/a

- Finding 1:** The authority board has not approved the authority's annual operating budgets since 1995.
- Finding 2:** The authority did not prepare annual rent calculations for any of its facilities, as required. As a result, it did not determine if rent was owed to the State.
- Finding 3:** Bonuses, totaling \$36,500, were paid to various authority employees without an established bonus program and budgetary disclosure. Furthermore, it appeared that certain documents were fabricated to support the bonus paid to the Executive Director.
- Finding 4:** Certain changes in the Executive Director's compensation package were not authorized by the authority's board. In addition, salary increases provided during fiscal 2003 may have conflicted with budget law restrictions.
- Finding 5:** The Executive Director accepted certain gifts from an entity doing business with the authority, in violation of State law.
- Finding 6:** Timesheets and expense reports for senior management personnel were not adequately reviewed to ensure compliance with State and authority requirements.
- Finding 7:** **Memorial Stadium memorabilia sales proceeds totaling \$164,589 were retained by the authority instead of being transferred to the general fund as required by budget law.**
- Finding 8:** Formal written procurement procedures had not been established, and several construction contracts totaling in excess of \$66 million were awarded without being publicly advertised.
- Finding 9:** **The authority could not substantiate that administrative expenses were properly assessed and billed to other agencies and local governments for certain projects managed on their behalf.**

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**Finding 10:** Project funds totaling in excess of \$19 million were commingled in the authority's working fund account in violation of both State law and the Comptroller's established procedures, resulting in lost interest income for the project totaling \$35,000.

**Finding 11:** The authority did not ensure that all amounts due under the football stadium catering contract were received.

**Finding 12:** **The authority has not established adequate controls over its accounts receivable, including debt abatements and collection efforts.**

**Finding 13:** **Supervisory personnel did not document approval of bond trustee bank account reconciliations.**

**Finding 14:** **Available State Financial Management Information System security features were not fully used to adequately control purchasing and disbursement transactions.**

\*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
Maryland Stadium Authority**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	83.50	83.50	82.80	-0.70	-0.8%
<b>Total Positions</b>	<b>83.50</b>	<b>83.50</b>	<b>82.80</b>	<b>-0.70</b>	<b>-0.8%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 4,942,179	\$ 5,324,909	\$ 5,579,229	\$ 254,320	4.8%
02 Technical & Spec Fees	810,284	764,357	839,556	75,199	9.8%
03 Communication	125,608	95,223	94,515	-708	-0.7%
04 Travel	24,697	41,540	40,494	-1,046	-2.5%
06 Fuel & Utilities	5,409,170	6,119,624	6,327,538	207,914	3.4%
07 Motor Vehicles	47,876	73,107	77,545	4,438	6.1%
08 Contractual Services	22,749,691	10,373,338	17,470,161	7,096,823	68.4%
09 Supplies & Materials	530,017	547,474	564,366	16,892	3.1%
10 Equip - Replacement	274,000	750,000	1,250,000	500,000	66.7%
11 Equip - Additional	53,030	104,221	105,743	1,522	1.5%
12 Grants,Subsidies,Contr	21,880,899	25,311,669	25,817,216	505,547	2.0%
13 Fixed Charges	45,958,543	22,498,878	10,846,254	-11,652,624	-51.8%
14 Land & Structures	0	8,554,837	2,600,000	-5,954,837	-69.6%
<b>Total Objects</b>	<b>\$ 102,805,994</b>	<b>\$ 80,559,177</b>	<b>\$ 71,612,617</b>	<b>-\$ 8,946,560</b>	<b>-11.1%</b>
<b>Funds</b>					
01 General Fund	\$ 10,498,275	\$ 13,428,270	\$ 14,069,904	\$ 641,634	4.8%
03 Special Fund	21,880,899	21,235,000	21,000,000	-235,000	-1.1%
07 Non-budgeted Fund	70,426,820	45,895,907	36,542,713	-9,353,194	-20.4%
<b>Total Funds</b>	<b>\$ 102,805,994</b>	<b>\$ 80,559,177</b>	<b>\$ 71,612,617</b>	<b>-\$ 8,946,560</b>	<b>-11.1%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary  
Maryland Stadium Authority**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
02 Maryland Stadium Facilities Fund	\$ 21,880,899	\$ 21,235,000	\$ 21,000,000	-\$ 235,000	-1.1%
41 General Administration	2,576,642	3,110,572	3,307,213	196,641	6.3%
42 Capital Programs-Baseball/Football Pre-Construction	8,646,167	7,956,318	3,436,691	-4,519,627	-56.8%
44 Facilities Management	18,092,757	19,845,609	20,899,186	1,053,577	5.3%
48 Facilities Management	1,117,738	1,000,000	8,000,000	7,000,000	700.0%
55 Baltimore Convention Center	7,075,394	7,974,458	8,674,204	699,746	8.8%
58 Ocean City Convention Center	2,534,264	2,716,705	2,763,000	46,295	1.7%
59 Montgomery County Conference Center	17,727,064	14,090,142	1,752,700	-12,337,442	-87.6%
60 Hippodrome Performing Arts Center-Capital Approp.	23,155,069	2,630,373	1,779,623	-850,750	-32.3%
<b>Total Expenditures</b>	<b>\$ 102,805,994</b>	<b>\$ 80,559,177</b>	<b>\$ 71,612,617</b>	<b>-\$ 8,946,560</b>	<b>-11.1%</b>
General Fund	\$ 10,498,275	\$ 13,428,270	\$ 14,069,904	\$ 641,634	4.8%
Special Fund	21,880,899	21,235,000	21,000,000	-235,000	-1.1%
Non-budgeted Fund	70,426,820	45,895,907	36,542,713	-9,353,194	-20.4%
<b>Total Appropriations</b>	<b>\$ 102,805,994</b>	<b>\$ 80,559,177</b>	<b>\$ 71,612,617</b>	<b>-\$ 8,946,560</b>	<b>-11.1%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

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Appendix 5

	<b><u>Actual</u></b> <b><u>FY 2003</u></b>	<b><u>Actual</u></b> <b><u>FY 2004</u></b>	<b><u>Est.</u></b> <b><u>FY 2005</u></b>	<b><u>Est.</u></b> <b><u>FY 2006</u></b>
<b>Beginning Balance</b>	\$3,261	\$3,782	\$9,032	\$3,458
<b>Lottery Proceeds</b>				
Lottery Proceeds	21,949	21,881	21,235	21,000
Net Bond Proceeds	10,250	8,730	0	0
<b>Subtotal: Lottery/Bond</b>	<b>\$32,199</b>	<b>\$30,611</b>	<b>\$21,235</b>	<b>\$21,000</b>
<b>Revenues</b>				
Misc. Income	277	185	60	60
Catering Events	469	385	400	400
Baseball Admission Tax	4,423	4,754	4,000	4,100
Baseball Rent	6,044	6,420	6,250	6,600
Baseball Suite Amortization	835	677	667	800
Football Admission Tax	3,227	3,846	3,250	3,500
Football Operations	5,984	6,210	6,206	6,446
Seating Bowl Events	250	464	125	250
Warehouse Lease	3,308	3,205	3,200	3,800
Construction Mang. Fee	120	40	50	0
City of Baltimore	1,000	1,000	1,000	1,000
<b>Total Revenues</b>	<b>\$25,937</b>	<b>\$27,186</b>	<b>\$25,208</b>	<b>\$26,956</b>
<b>Total Funds Available</b>	<b>\$61,397</b>	<b>\$61,579</b>	<b>\$55,475</b>	<b>\$51,414</b>
<b>Disbursements</b>				
MSA Administration	2,454	2,870	2,880	3,200
Camden Yards Operations	19,236	17,419	18,695	19,249
<b>Subtotal MSA/Camden</b>	<b>\$21,690</b>	<b>\$20,289</b>	<b>\$21,575</b>	<b>\$22,449</b>
Capital Imp. Funds	400	400	400	400
Camden Station Project	1,036	3,226	4,774	0
Baseball Suite Renovate	0	274	750	1,250
Major Repairs and Renovations	0	1,000	100	50
<b>Total Subtotal MSA/Camden</b>	<b>\$23,126</b>	<b>\$25,189</b>	<b>\$27,599</b>	<b>\$24,149</b>
Debt service and Financing	32,089	21,948	21,487	21,837
School Construction	2,400	2,400	2,400	2,400
State Rent Payment	0	3,010	531	200
<b>Total Uses</b>	<b>\$57,615</b>	<b>\$52,547</b>	<b>\$52,017</b>	<b>\$48,586</b>
<b>Ending Balance</b>	<b>\$3,782</b>	<b>\$9,032</b>	<b>\$3,458</b>	<b>\$2,828</b>