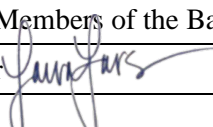




CITY OF BALTIMORE
MAYOR BRANDON M. SCOTT

TO	The Honorable President and Members of the Baltimore City Council
FROM	Laura Larsen, Budget Director 
DATE	June 26 th , 2024
SUBJECT	24-0535 Bond Issue - School Loan - \$55,000,000

The Honorable President and
Members of the City Council
City Hall, Room 400

Position: Support

The Department of Finance is herein reporting on City Council Bill 24-0535, Bond Issue - School Loan - \$55,000,000, FOR the purpose of authorizing the Mayor and City Council of Baltimore (pursuant to General Assembly House Resolution II and Senate Resolution II of 2024 approved by the members of the Maryland General Assembly representing Baltimore City) to create a debt, and to issue and sell, at any time or from time to time and in one or more series its certificates of indebtedness as evidence thereof, and proceeds not exceeding Fifty-Five Million Dollars (\$55,000,000).

Background

As proposed, City Council bill 24-0535 would authorize the Mayor and City Council to create debt not exceeding Fifty-Five Million Dollars (\$55,000,000) for the purpose of improving Baltimore City Schools facilities, buildings and equipment. The intent of this bill is to ensure that the debt is created as a general obligation of the City pursuant to Section 7 of Article XI of the Constitution of Maryland. If passed, the Bond Issue will be placed on the November ballot for voters' rejection or approval.

Fiscal Impact

Council Bill 24-0535 is one of four bills seeking to approval to increase General Obligation (GO) borrowing on the November 2024 ballot. In total, these bills, propose increasing the City's annual GO borrowing from \$80.0 million to \$125.0 million, a 56% increase. The proposed borrowing level is based on analysis from the City's debt study that was completed in December 2023. The debt study found that the City can incrementally phase in additional GO Borrowing over the next 10 years and remain within acceptable debt ratio standards. If approved, the debt service payments are projected to increase by \$28.1 million over the next 5 years. Additional debt service costs will require increased General Fund support; these costs will be planned and budgeted for in future budgets. The authorization is drafted as 'up to' meaning the actual GO borrowing amounts reflected in future capital budgets can be reduced based on the City's financial outlook.

Council Bill 24-0535 seeks to authorize \$55.0 million in GO Borrowing for schools related capital projects. This is a \$12.0 million, or 45%, increase above the current authorization for these projects. These projects appear as part of City Schools Systems Upgrades in the Capital Budget.

Conclusion

The Finance Department acknowledges the additional General Fund cost associated with increasing the annual GO Borrowing authorization. The current funding level for capital projects is not sufficient to fund complete projects and further contributes to the City's growing deferred maintenance backlog. This additional investment in capital spending is a critical step towards reducing the City's risk exposure associated with such significant levels of deferred maintenance.

For the reasons stated above, the Department of Finance supports City Council Bill 24-0535.

cc: Michael Mocksten
Nina Themelis