



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations

September 29, 2021

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

FROM: Malcolm Moody - *mm*
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Note
CR-085-2021, Contract Approvals – National Harbor

CB-085-2021 (*Proposed and introduced by:* The Chair of the Council at the request of the County Executive)

Assigned to the Committee of the Whole (COW)

A RESOLUTION CONCERNING CONTRACT APPROVALS for the purpose of approving a multi-year funding agreement (the "Funding Agreement") to secure the obligations related to the special obligation refunding bonds (the "Bonds") issued pursuant to CB-062-2021 (the "Refunding Act") in connection with the National Harbor Project, but only to the extent amounts in the Tax Increment Fund and Special Taxing District Fund (as such terms are defined in the Refunding Act) are not sufficient to meet all the obligations related to the Bonds as described in the Refunding Act.

Fiscal Summary

Direct Impact:

Expenditures: Reduced debt service expenditures estimated at \$10.3 million¹

Revenues: None.

Indirect Impact:

None

Legislative Summary:

CR-085-2021, proposed by the Chair at the request of the County Executive and sponsored by Council Chair Hawkins and Councilmembers Franklin, Davis, Glaros, Harrison, Anderson-Walker, and Ivey, was introduced on September 14, 2021, and referred to the Committee of the Whole (COW). A public hearing on the Resolution is scheduled for October 26, 2021.

Resource Personnel:

Stephen J. McGibbon, Director, Office of Finance
Ronald Halper, Debt Manager, Office of Finance

Current Law/Background:

Under Section 819² of the Charter for Prince George's County, Maryland, the County Council must approve, by resolution, all multi-year contracts exceeding an aggregate of Five Hundred Thousand Dollars (\$500,000.00).

Under the authority of CB-023-2004, the County issued Special Obligation Bonds to assist in facilitating the financing for public infrastructure improvements constructed in the National Harbor Development District and the National Harbor Special Taxing District,³ related to the development of retail, commercial and office facilities located therein. CB-023-2004 provided, among other things, that that bonds issued pursuant to its authority may be refunded by bonds issued under the Tax Increment Financing Act⁴ and/or the Special Taxing District Act.⁵

¹ This represents the debt service savings realized by issuance of refunding bonds authorized by the enactment of CB-062-2021 and adoption of this resolution.

² [Section 819. - Appropriation Control and Certification of Funds.](#)

³ The National Harbor Development District and National Harbor Special Taxing District were created by [CR-25-2004](#).

⁴ Title 12, Subtitle 2 of the Economic Development Article of the Annotated Code of Maryland, as amended.

⁵ Title 21, Subtitle 5 of the Local Government Article of the Annotated Code of Maryland, as amended.

CB-62-2021, which would authorize the issuance of Special Obligation Bonds to refinance the Series 2004 Bonds and realize significant debt service savings, is currently before the Council. This Resolution is a companion to that Bill, and would approve a multi-year Funding Agreement to secure the obligations related to the Special Obligation Bonds. The agreement approved via CR-085-2021 would materially enhance the cost savings of the Special Obligation Bonds by pledging as a back-up security provision the County's annual appropriation, but only to the extent amounts in the Tax Increment Fund and Special Taxing District Fund (as such terms are defined in the CB-062-2021) are not sufficient to meet all the obligations related to the Bonds.

Discussion/Policy Analysis:

CR-085-2021 would approve a multi-year Funding Agreement to secure the obligations related to the special obligations refunding bonds issued pursuant to CB-062-2021 in connection with the National Harbor Project. The County will realize debt service savings upon acquiring the special obligation bonds which will be enhanced by the Funding Agreement.

Fiscal Impact:

Direct Impact

Adoption of CR-085-2021 will enhance the savings realized by the issuance of Special Obligation Bonds authorized by CB-062-2021. Under current market conditions refinancing the Series 2004 Bonds will likely result in debt service savings totaling approximately \$10.3 million. This value expressed as a percentage would result in a refunding efficiency of 22.6%. Generally, savings at 5% or higher are considered economically compelling.

Indirect Impact

Adoption of CR-085-2021 is not likely to have an indirect fiscal impact on the County.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date of Proposed Legislation:

The proposed Resolution shall be effective on the date of adoption.

If you require additional information or have questions about this fiscal impact statement, please call me.