

FINANCE COMMITTEE MONTHLY MEETING  
Tuesday March 26, 2013  
POINT BREEZE HEADQUARTERS BUILDING  
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Jack Basso  
Mary Beyer Halsey  
Arthur Hock

STAFF ATTENDING: Janet Alston  
Harold Bartlett  
Percy Dangerfield  
Donna DiCerbo  
Joyce Diepold  
Trudy Edwards  
Allen Garman  
Sherita Harrison, Esq.  
Jaclyn Hartman  
Kimberly Millender, Esq.  
Kitty Sarvinas  
Deborah Sharpless  
Dennis Simpson  
Christina Thompson  
Alison Williams

OTHERS ATTENDING: James Walsh, MAA, Chief Financial Officer  
David Fleming, MDOT (via telephone)

At 10:38 a.m., Member Jack Basso called the meeting of the Finance Committee to order.

**Approval: Meeting Minutes – February 12, 2013**

Upon motion by Member Mary Beyer Halsey and seconded by Member Arthur Hock, the minutes of the February 12, 2013 Finance Committee were unanimously approved.

**Recommend for Approval – Corporate Purchasing Card**

Ms. Jaclyn Hartman requested that the Finance Committee recommend approval to the full MDTA Board for the MDTA to piggyback on the existing Comptroller of Maryland's Statewide Corporate Purchasing Card services contract with U.S. Bank.

Ms. Hartman explained that the State of Maryland currently has a statewide contract with Bank of America for its corporate purchasing card program. The contract is centrally managed by the General Accounting Division (GAD) of the Comptroller's Office and includes 77 State Agencies; however, MDTA is not directly covered under the State's Contract. To take advantage of the preferential rates under the State's contract, the MDTA, along with two county governments, piggyback on the State's contract. On April 25, 2013, the current contract expires and the State procured a new contract with U.S. Bank to replace it.

Staff was aware of the vendor change; however, the fact that MDTA piggybacked on the State contract and required separate approval to piggyback on the State contract was not found until MDTA ran into difficulties with transitioning from the old vendor to the new. Staff looked at several options: continuing to piggyback on the State of Maryland Contract; joining the Maryland Card Consortium; and entering into a stand-alone contract. Due to the time constraints, it was decided that continuing to piggyback on the State contract was the preferred option at this time. Member Basso agreed with Staff.

A motion was made by Member Hock and seconded by Member Halsey with unanimous approval by the Members to recommend approval to the full MDTA Board for the MDTA to piggyback on the existing Comptroller of Maryland's Statewide Corporate Purchasing Card services contract with U.S. Bank.

#### **Update – Debt Service Reserve Funding for Toll Bonds**

Ms. Alison Williams briefed the Committee Members on the status of the debt service reserve fund (DSRF) for the Series 2004, 2007 and 2008 toll revenue bonds that contain surety policies issued by Assured Guaranty, successor to Financial Security Assurance.

Due to the recent downgrade of Assured Guaranty from Aa3 to A2 by Moody's Investors Service, there is an increased chance that, in the future, the Authority may have to cash fund the DSRF for the Series 2004, 2007 and 2008 toll revenue bonds that remain outstanding in order to comply with the Trust Agreement. Standard & Poor's has maintained a rating of double-A on Assured Guaranty, which meets the ratings requirement. The current DSRF requirement totals \$65.4 million if the surety policies have to be replaced with cash.

Finance Staff will continue to monitor and report to the Finance Committee on this situation.

#### **Update – BWI PFC Projects**

Ms. Williams introduced Mr. James Walsh, Chief Financial Officer of the Maryland Aviation Administration. Mr. Walsh updated the members on the status of operations at BWI Thurgood Marshall Airport and certain PFC projects.

The first phase of the B/C Connector program is underway and should be substantially completed by May 31, 2013. The second phase anticipated completion date is September 2013. Approval to use PFC funds was received in March 2012 and the bond financing was completed in April 2012. The cost estimate as of the Final FY 2013-2018 Consolidated Transportation Program (CTP) is \$105 million. Expenditures to date total \$23.7 million through December 2012.

The Runway Safety Area (RSA) improvements began in August 2012. Additional phases of the RSA project have been advertised with a scheduled March 2013 bid opening. Cost estimate as of the Final FY 2013-2018 CTP for project components that may use PFC bond financing is \$278 million. Expenditures to date total \$45 million through December 2012.

### **Update – Sequester Implementations**

Mr. Allen Garman reviewed the potential implications of the federal budget sequester on MDTA's rate covenant coverage, investment portfolio, and outstanding Build America Bonds (BABs). The 8.7% sequestration of Build America Bonds subsidy in bond year 2013 may reduce Treasury payments by \$1.3 million, which would not have a material impact on MDTA's rate covenant coverage. A portion of MDTA's investment holdings in BABs are subject to Extraordinary Redemption Provisions (ERPs) in the event that the Treasury should cease or announce its intention to cease making full payment of the 35% subsidy. An exercise of the ERP by an issuer could expose the portfolio to bond calls below purchase prices. MDTA has approximately \$747 million of BABs outstanding that feature ERPs structured with make-whole call provisions at the prevailing Treasury rate plus 100 basis points. The make-whole call provisions make exercising the ERP uneconomic. A sample refinancing analysis was included.

### **Update – ETL Opening**

Mr. Dennis Simpson advised the Members of the issues and activities underway to support the opening of the I-95 Express Toll Lanes (ETL). A final recommendation on the toll setting process and ETL opening will be made at a future meeting.

### **Update – Budget Hearings**

Ms. Christina Thompson updated the Finance Committee on MDTA's budget hearings in Annapolis.

The MDTA's budget hearings were held on February 27<sup>th</sup> and 28<sup>th</sup>. Both of the hearings were held in conjunction with the State Highway Administration. At the budget hearings, Ms. Deborah Sharpless addressed the issues identified in the analysis which were: the process used to prioritize capital projects for funding decisions, including system preservation vs. expansion projects; the future of the ETL project; the public information campaign to inform the public of the July 1, 2013, approved toll increases;

and changes to the toll violation process. MDTA's testimony and responses to questions were well received.

### **Update – Legislative Issues**

Mr. Patrick Fleming advised the Committee Members that House Bill 420 was passed unanimously (133-0) on Third Reader by the House of Delegates on March 23, 2013. There was no discussion about the bill on the floor of the House. Other bills that directly affect the MDTA have been voted unfavorable or have not been slated to come up for a vote.

### **Update – Governor's Transportation Plan**

Mr. Harold Bartlett, Executive Secretary, advised the Committee Members that House Bill 1515 will increase revenue for the Transportation Trust Fund (TTF). It has a hearing in the Senate Budget & Taxation committee on March 27, 2013.

\*\*Member Basso left the meeting, and Member Halsey chaired the remainder of the meeting.

### **Update – Traffic and Revenue**

Ms. Sharpless reported that the system revenues for the month of February were \$27.9 million, which is down \$1.4 million from the previous year. Revenues for the fiscal year-to-date were \$268.2 million, which is up \$38.8 million from the previous year. Fiscal year-to-date revenues were \$2.3 million, or 0.8%, below the current Jacobs Base Case revenue forecast.

Ms. Sharpless also reported that transactions for the month of February were 8.1 million, which is down 0.5 million from the previous year. Fiscal year-to-date system transactions were 75.5 million, which is down 2.3 million from the previous year. Fiscal year-to-date system transactions are 0.1 million, or 0.2%, below the current Jacobs Base Case transaction forecast.

There being no further business, the meeting of the Finance Committee was adjourned by general consensus at 11:30 a.m., following a motion by Member Hock, and seconded by Member Halsey.