

FINANCE COMMITTEE MONTHLY MEETING
THURSDAY, MAY 16, 2013
POINT BREEZE HEADQUARTERS BUILDING
BALTIMORE, MARYLAND

OPEN SESSION

MEMBERS ATTENDING: Mary Beyer Halsey
Arthur Hock

STAFF ATTENDING: Yaw Berkoh
Percy Dangerfield
Donna DiCerbo
Allen Garman
David Greene
Sherita Harrison, Esq.
Jaclyn Hartman
Cheryl Lewis-Orr
Sheila Rivers
Kitty Sarvinas
Deborah Sharpless
Dennis Simpson
Cheryl Sparks
Ricky Williams

OTHERS ATTENDING: Chuck Gomer, Davenport (via phone)
Scott McIntyre, First Southwest (via phone)
Sam Sidh, MDOT
Brad Smith, MDOT
Jamie Traudt, Davenport (via phone)
James Walsh, MAA
Dominic Wicker, MDOT
Merrilyn Williams, MAA

At 9:00 a.m., Member Mary Beyer Halsey chaired and called the meeting of the Finance Committee to order.

Approval: Meeting Minutes – April 8, 2013

Upon motion by Member Arthur Hock and seconded by Member Halsey, the minutes of the April 8, 2013 Finance Committee were unanimously approved.

Recommend for Approval – MAA Contract Relating to BWI Marshall Airport (Passenger Facility Charge Revenue Bonds)

Ms. Jaclyn Hartman, Acting Chief Financial Officer, requested that the Finance Committee recommend approval to the full MDTA Board of a contract for the Maryland Aviation Administration (MAA) relating to construction work at Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall Airport).

MAA is requesting the MDTA Board's approval of contract MAA-CO-13-017 in order to present it at the Board of Public Works (BPW) meeting on May 29, 2013. The Passenger Facility Charge (PFC) Revenue Bonds Financing Agreement ("Financing Agreement") between MAA and MDTA requires that the MDTA Board approve any new contracts prior to BPW submission.

Ms. Merrilyn Williams, Director of Capital Programs for the MAA, gave a brief update on the status of the projects covered by the Financing Agreement as required by the bond documents. It was announced that MAA will provide bi-monthly updates to the project status chart which will be included in the informational items in the Finance Committee packages.

Member Hock motioned to recommend approval of the contract to the full MDTA Board. Member Halsey seconded the motion and it was approved unanimously.

Update – Investment Banking RFP Process

Ms. Hartman requested the Finance Committee to recommend approval to the full MDTA Board of a new more efficient procurement method for the Investment Banking Request for Proposal (RFP) process.

Ms. Hartman gave an overview of the process that MDTA staff would like to implement to affect a more efficient procurement method. The change would allow MDTA to use a 1 step process instead of the current 2 step process. Member Halsey suggested that the full MDTA Board review this item since it would be a policy change.

Member Hock made a motion to recommend approval of the new process to the full MDTA Board. Member Halsey seconded the motion and it was approved unanimously.

Recommend for Approval – Disposition (Lease) MDTA Properties at the New CSX Intermodal Container Transfer Facility

Mr. David Greene, Director of Strategic Development, provided an update on the new location for the CSX Intermodal Container Transfer Facility (ICTF) and requested the Finance Committee to recommend approval to the full MDTA Board to proceed with the disposition of MDTA owned parcels for the project through airspace and ground leases.

Mr. Greene introduced Mr. Brad Smith from MDOT's Office of Real Estate who explained that the purpose of the new CSX ICTF is to facilitate and support intermodal (truck/rail) freight transportation to relieve highway congestion and to address current and future regional needs for freight distribution. Mr. Smith also summarized the benefits of the proposed project and the other projects that would be effected by the expansion.

Member Hock made a motion to recommend approval to the full MDTA Board for MDTA to continue moving forward with the project. Member Halsey seconded the motion and it was approved unanimously.

Recommend for Approval – Security Maintenance Contract Renewal Option

Ms. Donna DiCerbo, Director of Procurement, requested the Finance Committee recommend approval to the full MDTA Board for the renewal of Contract No. 11031500, Authority-wide Security Maintenance Contract.

Mr. Ricky Williams, Director of the Security Unit briefed the Finance Committee on the reason for the request. This contract is for the preventative maintenance and repairs to the existing Access Control System, Intrusion Detection System and other security related sub-systems for all MDTA locations, including the closed-circuit television sub-system and the security intercom system. It will cover various MDTA locations, encompassing approximately 50 properties.

Member Hock made a motion to recommend approval of the contract renewal to the full MDTA Board. Member Halsey seconded the motion and it was approved unanimously.

Update – Cash Flow and Capital Spending

Mr. Allen Garman, Director of Treasury Management, reviewed cash flow projections and capital spending for the fiscal year to date through April. Over the prior four fiscal years, capital spending has averaged 75% of projections. Capital spending of \$250.6 million through April 2013 was 59% of Final FY 2013-18 CTP projections. Based on current estimates, Series 2010 bond proceeds will be fully spent in June. The remaining \$132 million available under the TIFIA loan will be drawn in fiscal year 2015.

In response to Member Jack Basso's question in February regarding the opportunity cost implications of slower than projected capital spending, Mr. Garman provided examples and an analysis of net carrying cost implications and reiterated that improvements in capital spending projections will support more economic timing of financings and materially superior investment returns.

Update – Investment Report

Mr. Garman and other members of the Investment Committee provided the quarterly investment report for the trailing period which ended March 31, 2013, detailing market conditions, portfolio strategies, total return performance, and trade allocations. For the trailing 12-month period through March, unrestricted investment portfolios are performing in line with the benchmark index. Due to the negative price effects of the federal sequestration on taxable Build America Bonds, the debt service reserves generally underperformed the benchmark. All portfolios conformed to Investment Policy limitations during the quarter.

In response to Member Halsey's request for additional detail on total return performance attribution last quarter, Mr. Garman provided a detailed analysis of the General Account's relative performance versus the benchmark index as a function of six factors including coupon income, amortization/curve roll, curve shift, yield curve reshaping, change in implied volatility, and changes in credit spreads. Mr. Garman highlighted that the quarterly sector allocation detractors of cash and securitized debt were offset by overweighting in taxable Municipal Bonds and underweighting in agency debt.

The Investment Committee also explained its rationale for the move on April 8 from target durations representing fixed percentages of the benchmark indices to target duration bands of plus or minus 10% of the index's effective duration measure.

Member Halsey left the meeting at 10:43 a.m. and returned at 10:45 a.m.

Update – ETL Update

Mr. Dennis Simpson, Director of Capital Planning, presented an update on the issues and activities underway to support the opening of the I-95 Express Toll Lanes (ETL), Section 100.

Mr. Simpson expressed the need to be flexible on this issue. The public hearings on the toll increases have been postponed until the fall of 2013. He also briefed the Members on the possibility of an early opening of a southbound four mile section of the ETL. By having the public hearings in the fall of 2013, it provides flexibility for a partial opening later in 2013.

Ms. Deborah Sharpless, Deputy Executive Secretary, indicated that she had spoken to Member Jack Basso, the Chair of this Committee, and he is comfortable with this decision.

Update – Xerox Contract Modification

Ms. Sharpless updated the Finance Committee on the status of Contract No. MA-549-000006 Electronic Toll System Contracts. Everything relating to the contract, *i.e.*, corrections, retroactive and perspective modifications, will be going to the Board of Public Works. However, the option renewals will not be requested at this time. Ms. Sharpless advised that the contract will need to go the MDTA Board.

Update – Traffic and Revenue

Ms. Hartman reported that the system revenues for the month of April were \$34.8 million, which is down \$0.3 million from the previous year. Revenues for the fiscal year-to-date were \$337.2 million, which is up \$38.7 million from the previous year. Fiscal year-to-date revenues were \$1.3 million, or 0.4%, below the current Jacobs Base Case revenue forecast.

Ms. Hartman also reported that transactions for the month of April were 9.8 million, which is down 0.1 million from the previous year. Fiscal year-to-date system transactions were 94.9 million, which is down 2.4 million from the previous year. Fiscal year-to-date system transactions are marginally above the current Jacobs Base Case transaction forecast.

Recommend for Approval – SC&H Contract Modification

Ms. Sharpless requested the Finance Committee to recommend approval to the full MDTA Board to retroactively modify the scope of work for Contract No. 10832169 A – EWA #3.

MDTA contracted with SC&H to provide several tasks. The Maryland Department of Transportation (MDOT) issued a task order under this contract to provide a review and analysis of the financial statements and publicly available financial information regarding a firm that was selected to manufacture the replacement helicopter fleet for the Maryland State Police. Since there was no contract in place at MDOT to conduct this due diligence analysis, MDOT sought these services through the MDTA contract.

Since the MDTA contract did not have language allowing MDOT to participate on the contract, BPW approval should have been sought to properly modify the contract to allow the assignment of this task. As this is a material change to the contract, this action also requires approval by the BPW.

Member Halsey asked that if other agencies use MDTA contracts or MDTA uses another agency's contract, then it should be disclosed to the MDTA Board.

Member Hock made a motion to recommend approval of the modified contract to the full MDTA Board. Member Halsey seconded the motion and it was approved unanimously.

There being no further business, the meeting of the Finance Committee was adjourned at 11:10 a.m., following a motion by Member Hock, and seconded by Member Halsey.